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Editor in Chief / Managing Editor



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The changes in the life are a natural process. So here I am bringing our current issue with the new design. As you know, our referred an international research journal which is listing with the Global Impact Factor organization belongs to Australia. The motive of the "Journal of Management Value & Ethics" is to publish worthy and original research papers after double blind peer review process. There is no doubt that today we are spreading our recognition an international floor. During the last seven years of our journey, you can see that there are so many research papers, case studies, book reviews coming from across the world, in the field of management. Many academicians, research scholars & students have approached from different countries like USA, Thailand, Indonesia, Saudi Arabia, Iran, Spain, Nigeria, Kenya, Nepal, Pakistan, Sri Lanka, Uzbekistan to publish their research work in our esteemed International research Journal. We have considered most of them to publish after peer blind review process. We have also published many research papers from different management institutes of our country and they too are sending the same regularly for publication in our upcoming issues. In addition to, it, there are many academicians, research scholars and institutes subscribing for our journal for reading by students and faculties. There are so many academicians who are approaching for being associated with our editorial & advisory board or as a review expert. We have selected some of them from foreign countries like USA, Nigeria, Uzbekistan and Sri Lanka, Nepal. The standard of our all research papers like empirical, conceptual, book review and case study is increasing the popularity of this Journal day by day. Motivational quotations between the pages also inspiring our readers. Our renowned advisory board & editorial board is a real mile stone of our success. We thanks to our board members and editorial team, who are experts in different fields and contributing their valuable experience with us.

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With best wishes to all

Dr. P. S. Bhadouria

Critical Analysis of Suit-Filed Wilful Defaulters Data In India

Lakshmi Karthik¹, Arvind Shrivastava², M. Subramanyam³

ABSTRACT

This paper is an attempt to critically examine the secondary data set of suit filed wilful defaulters of India, for the period 2002-2016. The exposures are analysed borrower, credit institution and state-wise. The study reveals steady increase in the outstanding amount of these defaulters since 2010. The total amount of default is Rs.759140 million (12.40% of the total gross non-performing assets) as at the end of March 2016. Top 15 borrowers form more than 20% of this total. During the period, 117 credit institutions have reported names of around 13300 borrowers. Nationalised banks have maximum amount outstanding followed by SBI and its associates and Private Sector banks.

This analysis demonstrates strong positive correlation between gross advances, gross non-performing assets of the credit institutions and suit filed wilful defaulters. The geographical distribution of the loan amount disbursed and borrowers' becoming wilful defaulters also has strong positive correlation. The data also indicates that majority of the wilful defaulters' are having consortium or multiple lending arrangement. It is observed that in most of the credit institutions around 5-6 borrowers contribute to 40-50% of the total outstanding amount of default. Most of the high value defaulters' belong to Gems and Jewellery Sector, real estate and infrastructure group

Key Words: Corporate default, suit-filed Wilful Defaulters, CIBIL Data, Credit Institutions lending, India.

I. Introduction

In India, the issue of "wilful default" by a large number of borrowers had been receiving the attention of the Government of India, (GoI) Reserve Bank of India, (RBI) and credit institutions since 1990. In 1990, RBI defined "wilful defaults" as "defaults other than those caused by genuine factors beyond the control of the borrowers." The objective of RBI was to monitor the action taken by the credit institutions against such borrowers and to enforce financial discipline. In 1994, RBI framed a Scheme of Disclosure of information with two main objectives:

(a) "to alert credit institutions and to put them on guard against borrowers who have defaulted in their dues to other lending institutions."

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The views expressed in this paper are those of the authors only and do not reflect the views of the Reserve Bank of India or any other institution in particular.

(b) "to make public the names of the defaulting borrowers against whom suits have been filed by the credit institutions."

The relevance of this study at this juncture, is very crucial for credit risk management of the financial institutions in India. Today, the mounting bad loans have changed the entire risk landscape of the credit institutions. The sharp rise in the quantum of non-performing assets has not only affected the financial health of these institutions but has marked its impact on the economy as well. In this background, analysis of the wilful defaulters' data, i.e. a borrower, who has the capacity to pay but yet delinquent, is of paramount importance. These defaulters have basically not utilized the funds for which it was extended to and rather diverted or siphoned of the public funds. It is interesting to note that India is the only country which discerns between "wilful" defaulters and other defaulters, both on law governing them and on credit reporting. The concept of "wilful" defaulter does not exist in any other country as there is strict legal recourse available to the lenders against such defaulters.

The matter of "wilful default" received further impetus with the establishment of Central Vigilance Commission (CVC) by the GoI in 1998. In exercise of the powers conferred on the CVC under Section 8(1)(h) of the CVC Ordinance 1998, it issued instructions on "Improving vigilance administration in Banks".

The landmark circular on wilful defaulters and action there-against was issued by RBI on May 30, 2002. The definition of "wilful default" was redefined and it superseded the earlier definitions. RBI stated that - "A wilful default would be deemed to have occurred when a unit has defaulted in meeting its payment obligations to the lender and if any of the following events is noted":

- (a) It had the capacity to honour the said obligations.
- (b) It had not utilised the finance for the purpose lent but has diverted the same for other purposes.
- (c) It had siphoned off the funds neither utilised for the purpose availed nor are funds available in the form of other assets.
- (d) It had disposed of or removed the movable fixed assets or immovable property given by it for the purpose of securing a term loan.

Further, RBI had also directed penal measures to be applied to the borrowers identified as wilful defaulters. It had instructed the credit institutions that no additional facilities should be granted and that these wilful defaulters should be debarred from institutional finance for a period of five years. The direction also states that the lenders may initiate criminal proceedings, wherever necessary. As a deterrent measure it was also decided that the wilful defaulters should not be given access to the capital markets.

In June 2002, RBI instructed the credit institutions to submit the list of suit-filed accounts of wilful defaulters of Rs.2.5 million and above on quarterly basis to TransUnion CIBIL Limited, (CIBIL) (Formerly: Credit Information Bureau (India) Limited). Further, dissemination of credit information in respect of these defaulters in the financial system was entrusted to CIBIL and accordingly such data is made available by the bureau in their website (www.cibil.com) since March 2002. However, it must be noted that the information disseminated, is as reported by the credit institutions to CIBIL.

An attempt has been made to examine and analyse the suit-filed wilful defaulters' data as accessible in the CIBIL's website from March 2002 onwards. This analysis will be useful in drawing various inferences on the credit policies of the lending institutions, the geographical representation of such defaulters and the trend of the outstanding amount in respect of such defaulters. The findings of this study will be of immense

importance to draft policy prescriptions by the Government and the regulator. As this study is one of the first of its kind with this unique data set, no comparable findings are available in the earlier literatures.

The paper is organised as follows. The second section discusses the relevant literature. Data source, coverage, data quality and the methodology are explained in section III. Major findings of the study are explained in section IV and the final section provides concluding observations.

II. Literature Review

2.1 Background

The credit risk management in the banking sector and reasons for rising non-performing assets in India has been an important research topic during the last three decades and produced ongoing debate in the literature of banking finance. However, descriptive analysis of the data on wilful defaults has received very limited attention in the literatures.

As there were limitations in the literature available on the subject, a short survey on the existing practices in other countries was taken up with few banks in India which are having international presence and also with credit information companies in India as they also have location overseas. They confirmed that there are no regulations or guidelines prescribed by any regulators on wilful defaulters in any of their overseas locations that correspond to those which are in place in India. Other countries do not grant statutory recognition to the concept of "wilful" defaults and therefore creditors look to other remedies under law to address the issue of defaults. Therefore, unlike India where there is a mechanism for identification of a wilful defaulter by the credit institutions, major steps undertaken by the credit institutions in other countries are predominantly as under:

- (a) Credit institutions assess the possibility of establishing fraud against the defaulting company and/or its senior management/board of directors and where sufficient grounds exist, they approach the local authorities for investigation into the matter and prosecution thereafter. On the basis of the investigation report, these credit institutions may also consider filing a civil suit against the individuals involved in the fraud and gain recourse against their personal assets.
- (b) The credit institutions initiate liquidation proceedings against the defaulting companies pursuant to which the liquidator can commence investigation into the conduct of senior management and if applicable, proceedings may also be initiated against the managerial personnel in their personal capacity.
- (c) Filing a suit against the defaulter for lifting of the corporate veil in order to establish liability.

Further, it has also been established that the credit report in other countries will only show the delinquency and will not distinguish between "wilful" and "genuine" defaults, as is the case in India. However, it is very important to note that the options listed above entail high standards of proof.

2.2 Studies on wilful defaults

The studies related to wilful defaults, the concept which is unique to India, has been very few and most of them corroborate the rise in wilful defaults with the rise in the non-performing assets of the banks. Aghian (1999) has argued that there are a few factors that determine the success of peer monitoring in maintaining high repayment rates. The author has demonstrated that a joint responsibility agreement discourages the

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wilful defaults because the relationships amongst the group members are embedded. Moreover, the borrowers can also impose social sanctions upon wilfully defaulting members. The author, therefore, supports the view that formal lending institutions should encourage group lending with joint responsibility to reduce wilful defaults. Amongst the various exogenous factors studied by Sanjeev (2007) the wilful default of borrowers emerges as one of the most critical factor which influences the increase of bad loans in the Indian commercial banking system, the other being the economic down turn. Bardhan and Mukherjee (2013) have constructed a sequential game to highlight the incidence of "wilful default" where the borrowing unit underreports its true financial position and defaults willfully. Goel and Pathak (2014) have conducted a study on the factors affecting the repayment performance of borrowers within the limited sample of District Central Cooperative Banks in Punjab and have stated that in 27.04% of the cases the irregularity in repayment was made by seeing others who did not repay i.e. the negative demonstration effect. Mishra (2014) has reported in his case study of Dasrathpur Block of Jajpur District in Odisha that more number of wilful defaulters belongs to higher income group. The studies cited above have generally covered a specific bank or a specific geography and therefore in this paper an attempt has been made to comprehensively analyse the complete data set, as available.

Further, in respect of "strategic default", Karlan and Zinman (2009), Adams et al. (2009), Morse and Tsoutsoura (2013) have demonstrated empirically that the consumer credit market has been in the forefront in such defaults. Other major studies conducted by Deng et.al. 2000, Fay et. al. 2002, Edelberg (2004), on "strategic default" have established that it is predominantly seen when the value of the collateral is "under water" i.e. when the value of the mortgaged asset is lesser than its outstanding loan. Hence, there seems to be a trend for individuals to engage in "strategic default" behaviour, where consumers default in mortgage loans in order to keep personal credit (i.e. credit cards) available to them to preserve cash flow. Some studies, Guiso et. al (2013), Gross and Souleles (2002) have considered the behavioural, emotional and sociological factors of the borrowers which leads them to strategically default.

III. Data and Methodology

Effort has been made by extracting the data set of suit filed wilful defaulters from the website of Trans Union CIBIL Limited (CIBIL). The data is available credit grantor-wise and State / Union Territory-wise on quarterly basis from March 2002 onwards. As per RBI's directions the suit-filed wilful defaulters' data of Rs.2.5 million and above is being reported quarterly by all groups of credit institutions i.e. Financial Institutions, Nationalised Banks, Foreign Banks, Private Sector Banks and SBI and its Associate banks. The wilful defaulters identified by the institutions represent public limited companies (both listed and unlisted), private limited companies, other associates, firms and individuals.

This study has been undertaken of the above said data, for the entire period from March 2002 to March 2016. Data has been extracted from all the groups of the credit institutions which have reported during this period. They are 117 in number. There has been complete coverage geographically too as institutions belonging to all States and Union Territories have been covered for analysis. Hence, attempt has been made to critically analyse the suit-filed wilful defaulters' data comprehensively for a period of fifteen years. To give an overview, during this period, 198719 records have been reported by the credit institutions to CIBIL under this category up to September 2016. "Record" as per CIBIL data implies the number of times the credit institutions report the outstanding of the borrowers, the periodicity of which is quarterly. This has been culled out and generated in a uniform format for all the quarters for necessary compilation. The data

has been compiled in a structured format selecting majority of the details like name of the credit institution, the group they belong to, the branch name, State, borrower's name, and the outstanding amount for each quarter. The data also contained additional details with regard to the Registered Office of the borrower's company and their directors, which were not used in the present study.

3.1 Data quality and completeness:

The methodology adopted by the credit institutions in identifying and reviewing the wilful defaulters is as per the regulatory prescriptions laid down by Reserve Bank of India, from time to time. Hence, the accuracy, completeness and veracity of the data reported are the responsibility of the concerned credit institution. However, while scrutinizing the data there were certain conspicuous anomalies observed in the data reported by the institutions, for example – data reported in absolute numbers or in thousands or crores, instead of reporting in lacs as stipulated by RBI, which have been corrected after comparing the same with the data reported during the previous and subsequent quarters.

There were also inconsistencies observed in grouping the branches of these institutions under a particular State or Union Territory. For the sake of this study, these have been grouped together as per the current status of the States and Union Territories in India. Further, with regard to the names of the defaulters, it was observed that the same borrower have been spelt differently by different credit institutions or by different branches of the same credit institution. Hence, the incorrect and incomplete data required rectifications, with multiple iterations.

The study has been taken up with the data received in the bureau up to September 2016. It is observed that few credit institutions have reported / corrected the data pertaining to the earlier periods, which have not been factored into as the findings are not significantly altered.

IV. Major findings of the Study

4.1 Analysis of Credit Institutions

During the period March 2002 to March 2016, 117 credit institutions have reported 198719 records of suit-filed wilful defaulters (SF_WD)

Name of the Group	Number of Institutions	Number of records
Financial Institutions	15	6965
Foreign Banks	36	4600
Nationalised Banks	20	104312
Private Sector Banks	38	36255
SBI and its Associate banks	8	46587
Grand Total	117	198719

 Table: 1 Details of records reported by credit institutions

(Source: www.cibil.com)

As is evident from Table 1, the maximum number of records is reported by the nationalised banks which constitute 52.49% of the total, followed by SBI and its Associate banks constituting 23.44% and Private Sector banks, 18.25%.

4.2 Analysis of outstanding amount of suit-filed wilful defaulters' data (SF_WD) for the period 2002-2016

Year Ended	Amount Outstanding (in million)	Percentage (Increase/Decrease)
31-03-2002	62415	
31-03-2003	104309	67%
31-03-2004	130044	25%
31-03-2005	103396	-20%
31-03-2006	87816	-15%
31-03-2007	84925	-3%
31-03-2008	109440	29%
31-03-2009	87257	-20%
31-03-2010	131842	51%
31-03-2011	153145	16%
31-03-2012	233263	52%
31-03-2013	254103	9%
31-03-2014	395079	55%
31-03-2015	573733	45%
31-03-2016	759140	32%

Table: 2 Amount outstanding of SF_WD

(Source: www.cibil.com)



Figure 1

As is evident from Table 2, there has been steady increase in the outstanding amount of suit-filed wilful defaulters since 2010. Further, it is observed that with downturn in the overall growth of the economy during the last three financial years, i.e., from 2014 to 2016, there has been more number of cases of diversion and siphoning of funds by the borrowers. This resulted in increase in the number of defaulters identified and reported as "wilful" by the credit institutions to the bureau. As can be seen there was steep increase in the outstanding amount by 55%, 45% and 32% in the years 2014, 2015 and 2016 respectively.

On examination of the suit-filed wilful defaulters' data for the year ended March 2016, it is observed that the total amount outstanding is to the tune of Rs.759140 million, which constitutes 12.40% of the total gross non-performing assets of the scheduled commercial banks in India amounting to Rs.6116074 million. It is alarming to note that top 15 borrowers form more than 20% of the total amount outstanding. The study further demonstrates that there are around 130 borrowers having outstanding amount of more than Rs.1000 million, totalling to Rs. 397522 million and they constitute around 52% of the total outstanding amount.

4.3 Analysis of group-wise outstanding amount of suit-filed wilful defaulters' data – March 2016

Name of the Group	Amount outstanding (in million)
Co-Operative Banks	60
Financial Institutions	44454
Foreign Banks	4666
Nationalised Banks	423620
Private Sector Banks	109912
SBI and Its Associate Banks	176428
Grand Total	759140

Table: 3 Group-wise amounts outstanding of SF_WD

(Source: www.cibil.com)

This paper has examined 58 credit institutions who had reported the data in March 2016. State Bank of India is the largest bank and also has the highest number of records, (994) who are suit-filed wilful defaulters amounting to Rs.123101 million. However, if group exposure is seen, the Nationalised banks have the maximum amount outstanding, totalling to Rs.423620 million. Amongst the Nationalised banks, Punjab National Bank is having the highest number of records (744) and amount outstanding to the tune of Rs.97880 million, followed by Central Bank of India and Union Bank of India having 637 records and 618 records respectively and the amount outstanding is to the tune of Rs.37193 and Rs.33740 million respectively. Amongst the foreign banks only Standard Chartered Bank has huge exposure of Rs.3019 million and has 25 records against them. With regard to Private Sector banks, Kotak Mahindra Bank though has only 56 records but has very large exposure amounting to Rs.56373 million, vis-à-vis, AXIS Bank, IndusInd Bank and Federal bank which has 279, 120 and 198 records and their outstanding amounts are Rs.11763, Rs.9000 and Rs.8415 million respectively as at the end of March 2016.

However, it is observed that the ratio of suit-filed wilful defaulters' outstanding amount to gross NPAs of SBI and its Associate banks is on an average of 22%, for Nationalised banks it is 16% and Private Sector banks it is 25%. Further, in SBI and its Associates banks and in nationalised banks it is almost in a similar spectrum whereas in Private Sector banks there are few banks which have very high amount of wilful defaulters' vis-à-vis their advances.

Critical analysis of the wilful defaulters' data also reveals that in most of the banks around 5-6 borrowers contribute to around 40-50% of the total outstanding amount of default. Also, it is observed that majority of the wilful defaulters' are having consortium or multiple lending arrangement and hence the same defaulter appears in the list of several credit institutions. Further, the analysis also confirms that most of the high value defaulter's belong to Gems and Jewellery Sector, real estate and infrastructure group. As big ticket defaulters are under scanner of multiple credit institutions, it leads us to the following conclusions:

- (i) At the pre-sanction stage, there is lapse in the loan appraisal process. It has been observed that the member banks conveniently accept the independent credit appraisal or the due diligence carried out by the consortium leader. This is also pertinent in multiple bank arrangement, as member banks rely on the checks carried out by the institution which has major exposure. Hence, the current scheme of sanctioning process demonstrates lacuna in the system.
- (ii) There is evidence that the systems put in place by majority of the credit institutions during the post disbursement stage are not very efficient and effective. There are gaps in the monitoring mechanism and hence diversion or siphoning of funds is unearthed ex-post. It appears that the wilful defaulters take advantage of the inefficient process and procedures adopted by these credit institutions.
- (iii) Also it is observed that some credit institutions are not proactive in identifying / declaring a borrower as a wilful defaulter and in initiating the legal recourse against them. Hence, the borrower takes further advantage of this time lag and is able to sell the mortgaged assets or collateral security in the interim period.

Hence, it can be inferred from the above observations that there has been wrong selection of the borrowers because of the herd mentality of the credit institutions. This scrutiny confirms the survey results conducted by Ernst and Young in 2015 wherein 87% of the respondent bankers had stated that: "the rise in NPA/stressed asset numbers are due to diversion of funds to unrelated business or fraud and periodic independent audits on borrowers have also revealed wilful defaults as primary factor for the stress situations."

4.4 Correlation between total credit and suit-filed wilful defaulters

A study was undertaken to examine whether any correlation exists between the total amount of credit advanced and the amount outstanding in respect of suit-filed wilful defaulters in the credit institutions. Therefore, comparison of suit-filed wilful defaulters' data of top 10 credit institutions having the highest amount of gross advances and non-performing assets was extracted as given in the table below:

Name of the Credit Institution	SF_WD amount outstanding	Gross NPA	Gross Advances	Ratio (%) of GNPA to Gross Advances	Ratio (%) of SF_WD to GNPA		
State Bank of India	112340	567253	13354237	4.25	20%		
Bank of Baroda	11918	162614	4372803	3.72	7%		
Bank of India	12356	221932	4117266	5.39	6%		
ICICI Bank	1498	150946	3989620	3.78	1%		
Punjab National Bank	60772	256948	3924221	6.55	24%		
HDFC Bank	2278	32658	3678878	0.89	7%		
Canara Bank	30336	130399	3349472	3.89	23%		
Axis Bank	4156	38668	2840087	1.36	11%		
Union Bank of India	12087	130308	2627572	4.96	9%		
IDBI Bank Limited	16637	126849	2157916	5.88	13%		
Grand Total	264378	1818580	44412077	4.09	14.54%		

Table: 4 Credit Institutions data having highest amount of advances and NPA as on March 2015(amount in million)

(Source: RBI website https://dbie.rbi.org.in)

Apparently, the above data revealed that only the large nationalised banks are having higher percentage of suit-filed wilful defaulters in relation to their advances and non-performing assets. To examine this, a Pearson correlation coefficient was computed to assess the relationship between the gross advances and suit-filed wilful defaulters and the relationship between gross NPAs and suit-filed wilful defaulters of all the 53 credit institutions which had reported data as of March 2015. However, the results showed that there was a strong, positive correlation of 0.67 and 0.71 between gross advances / NPAs and SF_WD data respectively. Increases in advances and NPAs were correlated with increases in suit-filed wilful defaulters. This finding indicates that these defaulters are widespread among all groups of banks and reflected a phenomenon of these defaulters being in sync with the size of the credit of the institutions. A scatter plot summarizes the results (Figure 2 & 3)







Figure 3 (Gross NPAs and SF_WD data)

4.5 Analysis of wilful defaulters by geographical distribution

This study also revealed certain inferences on the amount of suit-filed wilful defaulters outstanding as per States, as disseminated in the CIBIL's website. A critical examination shows that some of the credit institutions predominantly belonging to the Private Sector Bank group, sanctions the loan from the branch situated in Maharashtra, irrespective of whichever State the borrower belongs. Hence, as per the CIBIL data Maharashtra and other metropolitan centres indicate having the highest amount of wilful defaults.

This corroborates with the data available on the RBI website on "State and population group wise outstanding credit of Scheduled Commercial banks according to the place of sanction and utilisation", wherein data pertaining to March 2015 indicates two States, Maharashtra and Tamil Nadu having total amount of sanction more than the total amount of utilisation. The total amount of sanction and utilisation of Maharashtra is Rs.19772979 million and Rs.17776398 million respectively and for Tamil Nadu the total amount of sanction and utilisation is Rs.6491637 million and 6406311 million respectively.

To analyse this data of top 10 States having the largest amount of credit outstanding as of March 2015 was culled out from the RBI website and CIBIL's website. (See Table 5 and 6)

Name of the State	Credit amount outstanding (in million)		
Maharashtra	19772980		
Delhi	9073472		
Tamil Nadu	6491637		
Karnataka	4292248		
Gujarat	3471167		
Telangana	3335467		
West Bengal	3200914		
Uttar Pradesh	3054626		
Kerala	2121607		
Rajasthan	2029555		
Total	56843673		

Table: 5 States having the largest amount	of credit outstanding
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(Source: RBI website https://dbie.rbi.org.in)

Name of the State	Amount of SD_WD (in million)
Maharashtra	229929
Delhi	84390
West Bengal	45963
Andhra Pradesh	40985
Tamil Nadu	39977
Gujarat	23309
Karnataka	18631
Telangana	17099
Madhya Pradesh	14930
Punjab	14675
Grand Total	529888

Table: 6 States having the largest amount of suit-filed wilful defaulters

(Source: www.cibil.com)

As is evident from the above two data sets, seven out of the top 10 States which are having the maximum credit outstanding is also appearing as the States which are having the highest amount of suitfiled wilful defaulters. This trend can be endorsed to most of the States in India. Hence the geographical distribution of the loan amount disbursed and borrowers becoming wilful defaulters more or less are moving in tandem.

A Pearson correlation coefficient was computed to assess the relationship between the credit amount outstanding in respect of 28 States and the amount outstanding in respect of suit-filed wilful defaulters as of March 2015. Overall, there was a strong, positive correlation of 0.88 between credit amount outstanding and SF_WD data. Increases in credit in States were correlated with increases in suit-filed wilful defaulters. A scatter plot summarizes the results (Figure 4).



Figure 4 (Credit outstanding of States and SF_WD data)

V. Conclusion

The main aim of this paper is to analyse the secondary data set of suit filed wilful defaulters in India. The study reveals that there has been steady increase in the outstanding amount of these defaulters since 2010. The top 15 borrowers form more than 20% of the total outstanding as at the end of March 2016. Nationalised banks have the maximum amount outstanding followed by SBI and its associate banks and Private Sector banks. Majority of these defaulters are having consortium or multiple lending arrangements which establishes the herd mentality of the lenders. The inference drawn reveals that 4-5 borrowers constitute around 50% of the total of such defaults in most of the credit institutions; hence there is an indication of concentration of such debt. Also big ticket defaulters predominantly represent few sectors like Gems and Jewellery Sector, real estate and infrastructure group. This study demonstrated strong positive correlation between gross advances, gross non-performing assets of the credit institutions and suit filed wilful defaulters. The geographical distribution of the loan amount disbursed and borrowers' becoming wilful defaulters also has strong positive correlation.

As per RBI (2016), the asset quality of banks deteriorated further between March and September 2016. The gross non-performing advances ratio of the scheduled commercial banks increased to 9.1 per cent in September 2016 from 7.8 per cent in March 2016, pushing the overall stressed advances ratio to 12.3 per cent from 11.5 per cent.

At this juncture when RBI and the Government is initiating all necessary steps to mitigate the risks of stressed assets, it is of immense importance to corroborate the results of this analysis with the financials of the corporate borrowers and further investigate the scope of predictability of such defaults' by the credit institutions. There is an urgent need to employ an ex-ante approach to pre-empt identification of wilful defaults at an early stage. This could help the credit institutions avert / minimize the high costs associated with identification, declaration and legal recourse undertaken by filing a suit.

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The Relationship Between Higher Education and Youth Labor Market in Uzbekistan

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ABSTRACT

The aim of this paper was to identify potential ways that education system in Uzbekistan could be improved with a view of improving graduates' employability. The author carried out an online survey aimed at current students and young professional to achieve this. A total of 342 responses were received. The survey covered topics such as student approach to selecting their university and degree, the skills that students learned at university; and skills required by labour market as identified by young professionals. The main findings is that there is insufficient practical experience within university curriculum; and the skills that need to be developed by graduates to improve their employability.

Keywords: Higher education system, graduates, university skills, employability, curriculum, Uzbekistan.

JEL classification: | 21, J 20, J 24

Introduction

The qualitative development of higher education system requires qualitative growth of human capital of students. The skills and knowledge that graduates obtain during their university years have an impact on their employability. Graduates with skills that are in high demand in labour market have better job opportunities. Therefore, universities' curriculum must reflect the demands of ever changing labour market.

The higher education system of Republic of Uzbekistan is developing and there are some qualitative changes. The situation is improving as some researchers assert that there is a growing link between higher education system and labour market according to Hall & Thomas (2005).

Despite Hall & Thomas (2005) stating that the situation is changing, there are still issues. A 2009 survey asked entrepreneurs how satisfied they were with the level of graduates' knowledge. This survey, which was conducted by UNDP (2009), found that in Uzbek entrepreneurs were fully satisfied by fields:

- Economics 18.2%
- Technical specialties 18.6%
- Legal 17%
- Information technology 28.9%

As the above numbers suggest there is significant gap in the level of graduates' knowledge.

The aim of this paper is to improve the relationship between higher education (HE) and the labour market in Uzbekistan, with a view to improve graduates employment opportunity. To achieve this aim, a sociological survey was conducted among university students and graduates to obtain the data about the relationship. The data was analyzed against existing literature to identify most effective improvements to HE.

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In the next section, the existing literature will be reviewed to explore the relationship between HE and labour market as well as describing the education system in Uzbekistan. Then how data was collected will be described. After which the data will be presented and analyzed. The last section will summarise the paper and proposes future areas of research.

Literature Review

In this section, author describes the education in Uzbekistan. Following this the author will review existing literature covering relationship between higher education and labour market.

Education in Uzbekistan

Uzbekistan has the longest secondary education compared to other Central Asian and Eastern European countries reported by Sondergaard, Murthi, Abu-Ghaida, Bodewig, & Rutkowski (2012). One of the main reasons for this is that primary and secondary education is compulsory in Uzbekistan. As a result, students enrol in universities at later age in Uzbekistan.

Uzbekistan is a leader among CIS countries in vocational programmes as observed by Sondergaard, Murthi, Abu-Ghaida, Bodewig, & Rutkowski (2012). Unlike rest of ex-USSR countries, Uzbekistan has significantly invested and developed its vocational education which is part of secondary education.

Uzbek government supports its education system and considers that its development is one of the main mandates. According to the President Karimov's Report (2016) the government has spent from ten to twelve percent of its GDP on its education system per annum. This investment led to new higher education institutions to be established and thus the scope of higher education has increased dramatically. In addition to improvements in higher education infrastructure, the facilities have been equipped with latest learning materials and equipment.

Nonetheless, in this author's opinion, despite of the ongoing reforms in the higher education system of Uzbekistan, there are some issues. Poor relationship between higher education system and labour market, and excessive focus on theoretical aspect of education, with little to no practical application are examples some of the issues.

Education and labour market literature

Below is summary of literature review of different aspects of higher education and labour market interactions.

Graduate recruitment

Academic knowledge in the form of higher degree significantly boosts an individual's employability. According to Department for Education and Skills (2003), graduates in UK on average earn 50% more than non-graduates and as a group enjoy double the number of promotions over the analysed period.

This further emphasises that a university diploma is still valued by employers, especially as an additional signal of ambition, and most attractive jobs by definition expect a higher education degree as stated in Beerkens, Magi, & Lill (2011).

Brown & Hesketh (2004) in their graduate recruitment study, state that employers are attaching greater importance to personal attributes and skills compared to academic credentials. The main reason for this is a growing supply of graduates.

Vocational Programmes

In Wolbergs (2007) paper, they conclude that countries that have apprenticeship type vocational programs show higher level of entering a first significant job compared with those countries that do not. This notion can be extended to improving higher education by creating educational programs that entail internship as part of their curriculum. This can be achieved by entering into strategic partnership with leading firms.

Term time employment experience is a seen as a signal of productivity and motivation by employers. As reported by Beerkens, Magi, & Lill, (2011) university education is considered not very demanding and academic achievements are not sufficient enough signals of graduates' productivity. However, the impact of vocational programs differs from country to country. In Britain, general and academic education is more important than vocational qualifications when it comes to securing a job as stated by Hillmert (2002).

Furthermore, Beerkens, Magi, & Lill, (2011) show that working while studying at a higher education has only marginal negative effect on academic success.

Higher Education to Work Transition

Higher education institutions can support individuals to transition from students to worker. However, there are factors that prolong this transition. Lindberg (2007) observed that one of the factors is that students are unaware which set of skills are rewarded the most in the labour market.

A factor that may shorten the higher education (HE) to work transition is international experience. In their 2009 study, Crossman and Clarke (2010) demonstrate that students that participate in university exchange programmes not only gain international experience but also language and soft skills. This international exposure in turn increased their employability.

In many countries, higher education institutions have transformed from elite to mass higher education. As pointed out by Trow (2000) this not only increases the overall number of graduates but also increase the number of students who work. The former has a negative effect on the HE to labour market transition due to higher level of competition. While the later has the opposite effect as graduates with work experience are more desired than those without.

Research Methodology

Data Gathering

In accordance with the objectives of the study, a questionnaire was created to collect the data. The questionnaire was distributed via Internet as this was most effective distribution method since most university students and graduates are Internet adept. The questionnaire was saved on 'Google Drive' and links to questionnaire were disseminated through 'Facebook'.

The survey was conducted over two-month period from October to December 2011. This period was chosen because this is the time when students enroll into Universities and graduates commence looking for work.

Over the two-month period, more than 400 responses were received. For the purposes of this paper 342 responses were selected that comprised of 178 men and 164 women. The remaining responses were excluded because the individuals were of not suitable age or questionnaires were incomplete.

Within the data set two distinct groups were identified. First group (G1) consists of young professionals, who recently graduated and joined the labour market. Second group (G2) consists of individuals who just enrolled in higher education or are already studying.

Questionnaire

The questionnaire consisting of 17 questions is subdivided into three categories; refer to Appendix 1 - Questionnaire below. Some of the questions were multiple choices because this would enable the author to compare the data quantitatively.

Category 1

Questions 1 to 6 cover general question. These questions help to determinate respondents' age, gender, occupation and degree subject. Occupation and age are necessary to identify what group of respondents they are: G1 or G2. Degree subject of respondents was learned to identify if there are issues within particular degree. Responses to gender question ensured that data sample was representative of youth population of Uzbekistan.

Category 2

Questions 7 and 8 address on what basis did the respondents chose his/her university and their particular degree subject. This is to identify whether respondents chose their subject of their own will and gives indication whether they are planning to work in their area of their degree subject. It is also assumed that the basis on which the university the respondent has chosen has an impact on their future aspirations.

Category 3

Questions 9 to 17 try to identify aspects of relationship between education and job. For example, author investigated who among respondents work while their study; and then determine respondent motives for studying. Furthermore, the degree to which respondents' (G1) work is linked to their degree subject. The author also investigated which skills are sought after by employers. Finally, respondents were asked what skills they developed during their university studies and which skills they believe are in demand in the labour market.

Data and Findings

The survey involved people with social science, humanities and engineering education. Out of 342 respondents, 81% are employed, this includes 6% of respondents that are studying and working at the same time. Considering there is an increase in students working and studying at the same time. This number is expected to increase as tuition rates are expected to rise according to Beerkens, Magi and Lill (2011).

As 81% of the respondents are employed and therefore, understand what required the labour market; their insight into demands of labour market can be relied on.

The choice of educational institution and degree subject

With reference to *Figure 1 and Figure 2 below* most respondents chose themselves the university and the degree subject. This is expected as individuals mainly chose university by its reputations. The more prestigious the university the more likely it is to attract applicants as stated by Grebnyov (2006). Since graduates' affiliation to prestigious educational institution can help find and secure a better job. According to this, the author included questions that determined motivations of Uzbek applicants for choosing their degree subject and place of study.



Taking into consideration that most respondents (75%) choose their own degree subject; it may be concluded that respondents had already had an idea of what career path they are planning to take. The prestige was in the second place of the choice of the university (33%). It shows that both formal and informal university rankings have an impact on the applicant's decision.

In cases where applicants cannot secure their chosen degree or university, they apply for degrees and universities that have fewer applicants and therefore, lower competition for places in a given course. As per *Figure 1 and Figure 2 above*, 5% and 7% of respondents chose their degree and university respectively as their had lower competition and therefore, higher chances of securing a place. Consequently, it is logical to assume that these respondents are more interested in getting a higher education diploma and are unlikely to pursue career that is in line with their degree.

Unsurprisingly, another factor that influences applicants' choice of degree subjects is potentially high paying degrees and popular degrees. Consequently, many Uzbek applicants choose a degree that is expected to lead to a higher paying job.

Skills

With reference to Appendix 2 - Skills Developed at University and Appendix 3 - Skills Required in Labour Market, Table 1 below summarises the top 4 skills identified by young professionals (G1) and students (G2).

What skills did you develop du studies?*	uring your university	What skills do you think graduates should have to be sought after by employers?**			
Skills Percentage		Skills	Percentage		
Adaptability	60%	Practical knowledge of your degree subject	78%		
Logical thinking	54%	Computer Literacy	76%		
Ability to work in a team	50%	Self-confidence	72%		
Self-confidence 47%		Language Skills	71%		
*This question was answered by both young professionals (G1) and students (G2)					
** This question was answered only by young professionals (G1)					

Disparity between the two skill lists can be explained by the fact that the skills acquired at university graduates already have and therefore, do not appear in the second list. There is only one skill (self-confidence) that appears in both lists. From this we can infer that more emphasis must be given to developing this skill among students.

As stated by Lindberg (2007) in literature review, students are unaware which skills are rewarded and required in the labour market. The top four skills (*Table 1* above) identified by G1 must be included in the curriculum. As these skills, were identified by young professionals (G1) as sought by employers.

One of the top four skills identified by G1 is language skills (*Table 1* above). Exchange programme with international universities is one way to provide opportunity for students to improve their language skills. Furthermore, participation in exchange programmes will enhance their employability in Crossman & Clarke (2010).

Curriculum Content

Refer *Figure 3 below*, large majority of respondents (39%) of respondents believe that their degree was 30% practical, and 70% - theoretical. This corresponds to national requirements; The State Standard of Higher Education of Republic of Uzbekistan (2001) prescribes that bachelor programmes must be 65% to70% theoretical.

This contradicts the labour market requirement as the top skill that graduates must have as identified by G1 is 'Practical knowledge of your specialty'. Therefore, practical element of curriculum must be increased to reflect that. However, this cannot be achieved until the government changes its mandate.

Table 1	
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The relationship between education and employment

All employed respondents (G1) were asked about whether their current job is related to their university degree (Category 3 question). With reference to *Figure 4* below, almost half of them replied "yes". Although, 53% of respondents answered "no" or "partially", one must take into consideration that a substantial percentage of respondents choose their subject degree for reasons other than that it was their degree of choice. With reference to *Figure 2* above, 11% of respondents stated that their degree subject was chosen by their parents.



Refer to *Figure 5 below* in order to determine compliance with university knowledge and job requirements, 277 respondents who are employed and those who study and work at the same time were asked the question "Whether they use the knowledge gained at universities, while performing their work?" (Category 3 question)



Unsurprisingly, it was found that only half of employed respondents use university skills in their daily work. If students during their studies have more practical skills, when they go to work they use it. Thus, value of 'university skills used in daily work' will increase if large proportion of curriculum is practical *Figure 3 above*.

Even though there is large portion of respondents (46%) that have stated that they either do not or rarely use their degree subject in their profession, this might not be a true picture. As some respondents choose their degree subject based on their family wishes or the subject is chosen simply because respondents are after a degree which is not in line with their career aspirations. Therefore, if the author analysed only those respondents who were planning to pursue a career that is in line with their chosen degree, the percentage of 'yes' would increase significantly in *Figure 5 above*.

Among those who do not work in their degree subject, 52 % are going to work in future and 31% expect to work an area linked to their degree. So probably that 83% of those who do not work in their degree subject are planning to do so *Figure 7 below*. This is a positive indicator means they will use their university skills for its intended purpose.



These respondents were asked for the reasons of not working in their area. For most common response refer to *Figure 8 below*.



Figure 8

According to their answers the main reason for graduates not working within their degree subject is that they could not find a job. The rightmost response 'Degree subject chosen just to receive a diploma' in above figure is in line with results in *Figure 1 above*. These respondents were not planning to pursue a career that is related to their degree subject as the degree was perhaps chosen by their parents or it was chosen because it was low competition degree.

Those respondents who were more interested in just getting a degree may be at disadvantage. Their choice may increase the higher education to employment transition as they may not have the required academic background that is required in their preferred profession.

The combination of study and work

Employers prefer graduates with work experience (Beerkens, Magi, & Lill, 2011; Crossman & Clarke, 2010; Wolbers, 2007). As a result, motivations of students seek work experience prior to completing their degree. According to the survey, 6% of respondents are working and studying at the same time. However, this number may be misleading as majority of respondents are young professionals. If the survey focused only on students the percentage of students who are working and studying at the same time is expected to be higher. Nonetheless, the author believes that the percentage of students would still be significantly lower than in other countries. According to Beerkens (2011), the average student employment rate in Europe is 47%.

The survey identified that the main reason for combining study and work among students was to gain work experience. Second reason was to pay for tuition, the same phenomenon is observed in higher education in UK, CHERI (2005).

Students who work to pay their tuition fees will be motivated to go for jobs that pay more. Even though these jobs would allow students to gain experience; this experience may be less valuable if it is not relevant to their profession. For example, experience gained as a waiter is less valuable than experience working as a bank clerk if an individual is a pursuing a banking career.

Summary

Choice of university and degree

Despite the survey showing that most of the respondents choose their own degree and university; there are some who make their choice based on other factors e.g. parents' choice or low competition. Furthermore, there is emphasis on selecting degree subjects that are expected to lead to higher paying careers. Potential issue that this presents is large number of graduates competing for select position while less 'popular' position do not have enough applicants to fill the position. This is emphasized by the fact that 41% of individual could not find employment within their degree area, refer to *Figure 8 above*.

Essential Skills in curriculum

The survey revealed essential skills that labour market requires, and skills that graduates acquire during studies. The only skill that appears in both lists is 'self-confidence'. 'Practical knowledge of their degree subject' the most sought after skill by employers. The most developed skill during university studies is 'adaptability'.

Theoretical and Practical Aspects of Curriculum

As one can observe from *Figure 3 above* the opinion about the ratio of theoretical and practical part of university curriculum is distributed. This variation could be attributed to variance in makeup of different university courses. Nonetheless, there is an indication that there is insufficient practical aspect in university curriculum. This is emphasized by employed respondents stating that graduates generally lack practical application of theory learned during their degree, refer to *Table 1* above. This may lengthen the higher education (HE) to work transition.

Combining work and study

The survey revealed a number of reasons why students combine studies with work. The main reason being to gain work experience. However, work experience on its own is not enough, it must be targeted.

Students studying banking will gain more effective experience by undertaking a banking internship. The internship will exposes them to banking processes and apply theories that they learned as part of their degree. Furthermore, they would develop essential skills like self-confidence by interacting with clients.

7. Conclusion

The higher education system is developing and there are some qualitative changes. Nonetheless, this survey demonstrated that further improvements in relationship between labour market and universities are required. The study identified recommendation how to tackle the issues related to the misbalance between labour market requirements and university education.

The relationship between higher education (HE) and labour markets in Uzbekistan are complicated due to lack of information about university degrees and perspective careers leading to students making uninformed choices regarding their education and careers. First of all, professional orientation should be organized for those who are planning to enrol in universities. Author proposes that government in cooperation with universities provide comprehensive information about available degrees and potential career paths.

There will always be individuals who select their degree for reasons other than their own wishes. Nonetheless, all students despite their degree choices will benefit from developing skills that are required by labour market. Therefore, author proposes to create two core modules that all students must attend: computer literacy and language skills. Furthermore, language skills could be developed via international exchange programs. This requires for Uzbek universities to develop ties with universities located in other countries. Self-confidence skill can be developed by increasing in all modules presentations, public speeches and group works. These skills were identified as crucial by young professionals who already are in labour market.

Another issue is the lack of practical skills in the university curriculum. A potential solution to this issue is targeted experience. The challenge is to help students acquire work experience within the university academic programs. Developing a relationship between universities and employers that lead to summer internships is one way to accomplish this. Internship may not only enable students to acquire the necessary skills but also allow students to potentially secure jobs. For instance, banking students work in banks; learning banking processes and applying their academic knowledge to real world situations. Furthermore, employer presentation and fairs can be used to educate students about necessary skills as labour market requirements develop and change.

Limitations and Future Research Ideas

The two limitations of this study are sample size and frequency. Firstly, the sample was small in comparison to population (number of students in Tashkent). Furthermore, the majority of respondents are studying/working in Tashkent. So sample was localized to capital. Therefore, carrying out the survey with the support of Ministry of Higher Education may yield a large, more dispersed sample that would be representative of Uzbekistan as whole.

Second limitation is that this is the first research/survey of its kind. It would be beneficial to track changes in relationship between labour market and higher education over time and in response to government and non-government initiatives. A research over a period of time may not only lead to identification of persistent issues and potentially better solutions.

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An Appraisal of Uzbekistan Microfinance Sector: Challenges and Prospects

Dildora Tadjibaeva¹

ABSTRACT

Uzbekistan is one of the fastest developing countries in Central Asia with 8% of GDP growth rate since 2004². However, financial inclusion remains limited³, the microfinance sector still remains underdeveloped despite of its large population in Central Asia and huge demand from micro and small enterprises.

Using MixMarket⁴ data on MFIs in Central Asia and Uzbekistan MFIs data for the period from 2012 to 2014, the paper describes the analytical picture of microfinance in Uzbekistan by benchmarking trend analysis. Furthermore, this paper explores the current issues of microfinance sector development and suggest the recommendations for the development of strong and self-sustainable micro-finance sector in order to increase access of population to financial services, create jobs and improve living standards and quality of life.

Keywords: Microfinance, Micro-Credit, Low-Income Households, Microfinance Institutions, Financial Inclusion, Micro and Small Enterprises

1. INTRODUCTION

Uzbekistan is a lower middle-income country located in heart of the Central Asia and gained independence in 1991. With 31,2 million inhabitants, the country accounts for 46% of the population of the Central Asia region⁵. After gaining independence, Uzbekistan adopted a gradualist approach to transition to a market economy. The population of Uzbekistan is characterized by a high human capital and entrepreneurial wisdom which is a key accelerator of social and economic development, including microfinance programs.

Microfinance is the development tool and financial empowerment of economically active households through the provision of microcredit as well as other productive assets; it enhances the latent capacity of the low income people for entrepreneurship, enabling them engage in economic activities, be self-reliant and also enhancing the household income as well as creating wealth⁶. Several studies world-wide have documented its positive microfinance impact on consumption, income and the net worth of households.

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² http://www.tradingeconomics.com/uzbekistan/gdp-growth-annual

³ http://datatopics.worldbank.org/financialinclusion/country/uzbekistan

⁴ https://www.themix.org/mixmarket/countries-regions/eastern-europe-and-central-asia

⁵ http://data.worldbank.org/country/uzbekistan

⁶ Jonathan Morduch Analysis of the Effects of Microfinance on Poverty

Reductionhttp://pdf.wri.org/ref/morduch_02_analysis_effects.pdf

These studies have also shown reduction in vulnerability, through employment generation, improvements in health, nutrition, education and empowerment of microfinance clients and members of their households.¹

Uzbekistan is a developing economy, hence poverty alleviation, employment creation and social inclusion remain among the most important priorities of the government. In this light, microfinance sector development, as a complementary mechanism to the conventional financial intermediation, is considered highly beneficial.

Microcredit" and "microfinance" were first legally introduced in Uzbekistan as a means of financing SMEs and private entrepreneurship in early transition to ease the restructuring process in the agriculture sector. Uzbekistan government has recognized the microfinance as an integral component of the strategy of reforms currently being implemented. Microfinance is used an effective instrument for reducing poverty from 27,5% in 2001 to 13,7% in 2015² and addressing employment challenges due demographic trends exacerbation given the high birth rates that began in the mid-1980s, almost 600,000 people join the labor market annually in Uzbekistan.

Uzbekistan MFIs presently supports and can further promote the sustainable growth of micro and small businesses (SME share of GDP reached 56,7%). The dynamic development of SME increased the demand for investment. According to provisional estimates from the most recent World Bank/IFC Enterprise Survey conducted in Uzbekistan in 2013, 37.8 percent of surveyed firms in Uzbekistan reported having a bank loan or line of credit.³ At the same time the lack of credit history, liquidity and collateral made small business, particularly new start-ups, a risky sector for investment. This makes traditional bank loans hard to access, and so increases the need for microfinance.

2. Literature review

A number of studies have been conducted on microfinance sector development in Uzbekistan. Survey of microfinance sector provided by IFC (2003)⁴ examines the legal environment of microfinance and provided the recommendations for establishment legal framework in accordance with international best practices. Recent study Madumarov⁵ (2016) on microfinance legal framework in Uzbekistan in comparison with CIS countries, suggests that the Uzbek government will have to continue to focus on improving the legal and political environment for microfinance in order to ensure the grow and attractiveness for investors.

UNDP (2006) Policy brief ⁶ assess the potential role of microfinance for reducing the flow of outmigration in the short term, boost savings, ensure social stability and gender equality, cohesion and foster social economic reforms in Uzbekistan and suggests that Uzbekistan's financial reform should be ensure the financial inclusion through microfinance sector development.

¹ Ranjula Bali Swain Microfinance: a Catalyst for Development at Macroeconomic Level? https://www.cairn.info/revue-finance-et-bien-commun-2006-2-page-83.htm

² UNDP Millennium Development Goals Report Uzbekistan 2015

http://uzbekistan.de/sites/default/files/elements/mdg_eng.pdf

³ www.enterprisesurveys.org.

⁴ IFC Survey of the Microfinance Sector in Uzbekistan https://www.microfinancegateway.org/sites/default/files/mfg-en-papersurvey-of-the-microfinance-sector-in-uzbekistan-oct-2003_0.pdf

⁵ http://www.t-science.org/arxivDOI/2016/01-33/PDF/01-33-9.pdf

⁶ UNDP Policy Brief Microfinance in Uzbekistan: Current State and Future Prospects

https://www.microfinancegateway.org/sites/default/files/mfg-en-paper-microfinance-in-uzbekistan-current-state-and-future-prospects-2006.pdf

CER ¹(2005) provides analysis of the current trends of microfinance in Uzbekistan and recommendations on key directions for further development of the microfinance sector. Specific attention was paid to the development of non-government microfinance institutions. The issues of normative legal framework for microfinance development in Uzbekistan are also emphasized by this report, including the clarification of registration procedures for microfinance institutions, the taxation regime, access to external financial sources, and etc.

G.Bikbaeva (2007)² examines the analyzes the effectiveness of microfinance policies, institutions, and tools for improving living standards and regional development. It focuses on the role and importance of microfinance as an effective measure in regional development and alleviation of rural poverty. It presents a detailed analysis of demand for microfinance services in Uzbekistan, and of regional microfinance programs and their role in area-based development.

The urgency of microfinance policy reform was highlighted in World Bank³ (2007) Policy Note, where identified the gaps and challenges faced by microfinance sector and provided the policy recommendations in order to further progress in creating a well-developed microfinance sector.

Maksudova⁴ (2009, 2015)⁵ evaluated the microfinance market as it has evolved in Uzbekistan, and assessed the impact of improved distance-related access to microcredits in Uzbekistan. She concluded that the households located closer to microfinance institutions have larger businesses in terms of income, profits and employees than similar households located further away. It is required to develop the infrastructure, not only legal, regulatory and institutional environment of microfinance.

To study the access to finance of SMEs in Uzbekistan per se, T.Koraliev, N.Oblomurodov (2014) look into the SME 's financial support system and concludes that adequate access to finance includes not only bank loans, but also a host of financing instruments that are geared to meet the diverse needs of enterprises and entrepreneurs with different characteristics and profiles.⁶

3. Methodology

1. Data collection

The primary data had collected with the assistance of National Association of Microfinance Institutions.(NAMI) The financial reports templates have been disseminated among members of NAMI. The data cover 20 Uzbek MFIs on fiscal years 2012-2014. In addition data of Central Asia and Azerbaijan MFIs for respective years with published profiles on MixMarket, MIX Market provides instant access to the data, analysis, and tools that deliver key insights into the financial inclusion sector.

¹ Center for Economic Research Report on Microfinance in Uzbekistan 2005

http://www.undp.org/content/dam/uzbekistan/docs/Publications/economicgovernance/Microfinance_development_in_Uzbekistan/un_uzb_Microfinance_development_in_Uzbekistan_en.pdf

² http://www.ibrarian.net/navon/paper/Economic_Policy_Institutes_Network.pdf?paperid=13769173

³ http://siteresources.worldbank.org/INTUZBEKISTAN/Resources/294087-

^{1246601504640/}Policy_Note_on_Microfinance_FINAL_eng.pdf

⁴ Microfinance in Uzbekistan : market overview and impact assessment needshttp://www.oeidokumente.de/publikationen/info/info-39.pdf

⁵ www.cepr.org/active/publications/discussion_papers/dp.php?dpno=10696

⁶ T.Koraliev, N.Oblomurodov Growth of SME sector and ways of improving access to financial services in Uzbekistan , http://ojs.journals.cz/index.php/EJBE/article/view/433

2. Benchmarking analysis of the microfinance institutions is based on the MixMarket methodology and data include regional benchmarks for financial and operational indicators for the period 2012-2014 and provide a means by which to continually evaluate MFI performance.

MIX Market datasets to provide empirical and theoretical analysis on broader topics within the microfinance industry. Mix Market publishes reports on the microfinance institutions performance analysis in different countries, including Central Asia and the Caucasus (Uzbekistan is included in accordance with the Mix Market region classification).

3. The secondary data had been obtained from different sources as articles, reports, published research papers in journals and Central Bank of Uzbekistan website.

4. Microfinance Sector in Uzbekistan

The first initiatives in microfinance sector in Uzbekistan were made some years after the country declared its independence in 1991. Those activities were supported by a number of international organizations, among which UNDP, OXFAM, USAID, ACTED and others.

The objective of these projects was to improve access to finance to low-income households to support their micro-business activities. These pilot projects supported the establishment of the first non-bank NGO microfinance institutions (NGO-MFIs). NGO-MFIs operated similarly to the Grameen Bank group lending methodology under joint liability, dynamic incentives and collateral free terms. The positive results of these initiatives was basis for establishment legislative framework for microfinance in 2006 by adoption Law "On microfinance" and "On microcredit organizations". Despite this comprehensive legal framework, the microfinance sector has not yet realized its potential. In fact, the outreach of microfinance services that primarily were targeted to the poor did not fully realized in most rural areas.

The institutionalization stage of the microfinance sector was also characterized by the new role of the Central Bank of Uzbekistan as a regulator and licensing body of all bank and non-bank MFIs.

The institutional structure of the microfinance sector of Uzbekistan comprises commercial banks, specialized Microcreditbank and 28 microcredit organizations (MCOs). The share of banking microfinance is about 28.3% of the total loans (see Table 1). Given the fact that small businesses is key element to boost the country's economy, such a small volume of the microfinance market is not sufficient to meet the high demand for microfinance services. The conservatively projected demand for microcredit loans at \$1 billion in 2013 and \$6.5 billion in 2020.¹

	2011	2012	2013	2014	2015
Loans to small businesses (% of total loans)	23.9	26.2	26.3	27.3	28.3
Total loans (% of GDP)	20.1	21.1	21.9	23.1	24.9
Loans to small business (% of GDP)	4.8	5.5	5.7	6.3	7.1
Microcredit loans (% of GDP)	0.9	1.0	1.1	1.3	1.4
Loans to women (% of GDP)	0.6	0.5	0.6	0.7	0.7

 Table.1 Banking
 Loans Outstanding
 Portfolio to Small Businesses, 2011–2015

Sources: Central Bank of Uzbekistan; Government of Uzbekistan, State Committee of the Republic of Uzbekistan on Statistics.

¹https://www.adb.org/projects/documents/small-business-and-entrepreneurship-development-project-rrp

Commercial banks provide the microcredit services for following purposes : a) start-up capital; b) youth entrepreneurship - colleges and high schools graduates; c) working capital and d) business expansion. The microcredits terms depend on the type of lending. for a start-up capital loans are issued for up to 18 months for working capital - up to 24 months. Investment loan period is set depending on the payback project period, and usually it is up to 36 months.

The source of financing for banking microfinance services delivery are concessional government microlending programs for special target program for example youth entrepreneurship and special microfinance credit lines provided by international financial institutions (World Bank, ADB, KfW and etc).

The commercialization process of microfinance leads the commercial banks to become closer to and more accessible for villagers, poor households and micro-entrepreneurs by not only adjusting products to meet their financial needs but also by providing them non-financial services, such as trainings, consulting, accounting classes etc.in order to support the borrowers' projects successful accomplishment

A large proportion of the banking microfinance market belongs to Microcreditbank represented throughout the country and receives subsidized government funding for provision of micro credits at lower rates of 3-7% per annum in order to simulate the establishment of small and medium business. The microfinance portfolio loaned to small businesses in 2015 was 306,2 million USD including microfinance services – 129 million USD (42%).

Microcredit organizations legally founded in 2006 after adoption Law "On microcredit organizations". MCOs were modelled similarly to the classical Grameen Bank type non-bank MFIs, capturing the best true social objectives of microfinance. According to Uzbekistan legislation, MCOs are not allowed to attract deposits and cannot directly receive grants or loans from foreign companies and international organizations, they permitted to provide the following services: microloans, microcredit, microleasing, factoring, consulting for clients including business development services and financial literacy education. MFIs in Uzbekistan offer primarily group loans to self employed, entrepreneurs engaged in trade, as well as individual loans to entrepreneurs and micro and small business engaged in agriculture, services and manufacturing.

The main advantage of microcredit organizations instead of commercial banks- facilitating easy access to finance for low income population in rural and remote areas based on group and individual lending methodologies. The simplified procedures in getting microcredit and non-financial services for clients is displayed the high penetration of MCO programs in rural areas compare with bank microfinance programs.

The size of the unsecured loans is average of \$5,000. The loans above \$ 5000 require collateral or personal guarantees.

Most MCOs are small, their assets are less than \$ 360,000 and less than 1,000 customers, there is no MCO with branch network or service points. As of January 1, 2016 MCOs assets totaled more than \$ 40 million, capital -. \$ 28 million, loans - \$ 34.2. In general, the scale of the microfinance sector in Uzbekistan (microcredit banks, microfinance Microcredit services and micro-credit organizations) is \$ 1 bln. in 2015, which is only 7% of total bank loans disbursed.

The sector is also geographically sparse; MCOs are not forbidden from having branch outlets, but none has obtained regulator's approval to do so, and therefore they are few. Some regions have no MCOs, Khorezm region has only 1; Bukhara has 4; Samarkand has 2. Inadequate competition is further exacerbated by delays in the awarding of licenses to new MCO applicants. Also, the increasing of capital requirements on MCOs raises the barrier to entry. While previously the required capital for establishing an

MCO in Tashkent was 20,000 euro and outside Tashkent was 10,000 euro, since January 2013 the required capital is 100,000 euro.

3. Regional microfinance sector comparative analysis

Outreach and scale. The operations of Uzbek MFIs are relatively small in the Europe and Central Asia region. Their median GLP (gross loan portfolio) grew only to around 150 000 USD for 3 years from 318,303 USD in 2012 to 470,036 USD in 2014 while their peers in the region managed portfolios of several millions USD. In the same vein, the medium number of active borrowers of Uzbek MFIs was below, it was less than 1,000 (median) borrowers per annum in 2012-2014, i.e. much less than their peers in Central Asia and Azerbaijan reported on MIX Market.



Average loan balance. The average loan balance (ALB) per borrower shows the depth of microfinance outreach (other words - if MFI follow social mission and serve the low income households).. Uzbek MFIs offered the lowest loan balances in USD in the region the indicator reduced from \$759 in 2012 to \$657 in 2014 for MCOs. However, the depth of outreach measured as average loan balance as percentage of GNI per capita was close to Azerbaijan MFIs. Especially, MCOs are serving the low-income segments of the population and in this regards they cannot compete with banks microfinance services, where average microcredit size is USD 42800¹. This is a significant gap in the average loan size has shown that the bank and non-bank microfinance institutions serve different clientele groups.

¹ ADB Uzbekistan: Second Small and Microfinance Development Project

https://www.adb.org/documents/uzbekistan-small-and-microfinance-development-project

The degree of market saturation for microfinance services (breadth of outreach) is quite low in Uzbekistan. As a general rule, to assess the degree of saturation of important income ratios per capita and average loan size. The MFI's depth of coverage dropped by 44% in the 2012 in Uzbekistan to 44% in the 2012 to 31% by 2014, while in Tajikistan and Kyrgyzstan exceeded 100%.



Source: MIX Market as of 01.01.2016 (except Uzbekistan). Data represent medians.

The main reason of low growth pace and much smaller scale and outreach of Uzbek MFIs than those of peers in the region is lack of funding. Limited access to funding is a serious constraint on the growth of MCOs, despite strong market demand. MCOs are limited to two potential sources of funding: investors in shareholder capital (by law, these must be legal entities, not individuals), and loans from founders (by law, these loans cannot exceed 50 percent of shareholder capital). Most MCOs don't have significant real estate holdings to use as collateral, but rather have sizeable microloan portfolios and collateral claims on their borrowers. Further, commercial banks operate under cash restrictions that would not be attractive to MCOs' microloan borrowers.

There is great potential to unlock lending from commercial banks to MCOs, and thereby boost the capacity for microlending, but two important policy questions need to be addressed. While MFIs across Central Asia enjoyed influx of foreign lending, Uzbekistan's MFIs had limited access to both foreign and domestic borrowings due to regulatory barriers on attracting foreign funding and local borrowings, lack of mechanism of cooperation between the local commercial banks and MFIs.

Near to 90% of loan portfolio and assets of Uzbek MFIs was funded from capital while MFIs in Kazakhstan, Kyrgyzstan, Tajikistan and Azerbaijan fueled their loan portfolios mostly through external borrowings. The present owners of MFIs are reluctant to invite new investors to capital so they use profits and dividends to replenish loan portfolio. This small amount of funds is not allowed dynamically to expand its loan portfolio.
Uzbek MFIs utilized about 90% of their assets for the loan portfolio while the most part of the rest was concentrated in the fixed assets and intangibles due to the regulatory requirements on equipment of cash offices and on maintaining track of loan portfolios and accounting (software).



Profitability._The interest rates remains almost a single source of increasing MCO's loan portfolio due to lack of diversified sources of funding. High interest rates imposed by MFIs provided for much higher revenues of the Uzbekistan's MFIs. Accordingly, the financial revenue ratio is 2-3 times higher than in comparison with the regional peers in Central Asia and Azerbaijan.



The main cost driver in Uzbek MFIs is operating expenses, which is the highest among the MFIs of the region and showed the growing trend (from 19% in 2012 to 28% in 2014).

At the same time, financial and loan loss provisions expenses remained virtually to zero as a result of the lack of borrowing and high quality portfolio. The differential between the revenues and expenses of the Uzbek MFIs was the biggest in comparison with their peers.



Source: MIX Market as of 01.01.2016 (except Uzbekistan). Data represent medians.

Decreasing trend of financial revenue ratio and increasing operating expenses trends resulted in decreasing the return on assets (ROA) from 42% to 29% and return on equity (ROE) indicators reduced from accordingly 53% in 2012 to 38% in 2014.

The cost per borrower ratio indicates the higher efficiency of the Uzbek MFIs compared to their peer groups. The reason is that Uzbek MFIs focused primarily on serving repeat clients.



Staff productivity. During 2012-2014 Uzbek MFIs also achieved the highest staff productivity among the MFIs of the region. So, 256 borrowers served by Ioan officer in 2012, then it was 347 clients in 2014,

which is significantly higher than similar ratios of peer groups in the region. The personnel allocation ratio in Uzbekistan was 34% in 2014 similar to their peers in Azerbaijan (34%).



медианные значения.

CONCLUSION

As a result of the benchmarking analysis, we can make the following conclusion:

- Despite its considerable importance for Uzbekistan, the microfinance sector remains at a nascent stage of development and is still relatively isolated from global microfinance markets and requires further improvements in both quality and quantity in order to be a successful tool of economic development;
- In terms of the outreach and scale, the Uzbekistan microfinance market is the smallest in Central Asia and Azerbaijan, which is characterized by proliferation of small institutions in the market in terms of average number of served clients and loan portfolio;
- Healthy growth in the microcredit sector will depend not only on market demand, credit risk management and adequate funding, but also on increasing competition among the MFIs themselves. The sector has been weakened since 2011 by the exit of so many competitors, and the ensuing spike in microloan interest rates has remained high in the region.
- Uzbek MFIs exhibited greater productivity in terms of cost per borrower and the highest dynamics of staff productivity. This leads to a high loan portfolio yield of Uzbek MFIs compared with peer groups in the region. At the same time, the combination of small size of assets, high cost of services, efficiency and quality of loan portfolio (including almost zero costs of possible loan losses) indicates that the Uzbek MFI's primarily focus on serving repeat customers. Portfolio yield in Uzbekistan was the highest in the region, almost double than peers groups due to high interest rates.

In order to create favorable conditions for the development the strong and effective microfinance sector, providing prompt and regular access to financial services for small businesses and vulnerable groups of the population is necessary to implement the wide range policy measures focused on:

• Strengthening the legal and regulatory framework for the microfinance sector through establishment the regulatory window for different legal forms of MFIs, reducing the regulatory burden and introduce the non-prudential regulations as part of an in-depth regulatory framework;

- Building up supervisory capacity of the Central Bank of Uzbekistan, which require world class training on international good practices for regulation and supervision of microfinance. It is recommended to establish the cooperation with the Alliance for Financial Inclusion (a network of central banks working together on financial inclusion), which offers learning opportunities through knowledge exchange with central banks;
- Increase the transparency of the microfinance sector by submission reports on financial and social performance to MIX Market and develop the MFIs grading and rating system, as example India rating or CRISIL experience1;
- Given the lack of MFI's and national microfinance network capacity, the industry needs to attract more international experts and the technical assistance for MFIs in order to be fully capable of raising funds from commercial banks, international financial institutions or social investors;
- In order to attract both national and international investors to this sector, it is necessary to establish to an apex fund or develop the mechanism of full package financial and consulting service based on National Bank for Agriculture and Rural development of India;2
- Develop a sound payment system and support new business models based on technology, such as mobile phone banking and agent banking using point-of-sale devices or other devices to undertake microfinance transactions, and also link financial access with other type of services (e.g.utilities)
- Introduce financial consumer protection regulations that enable transparency, fair treatment, and effective complaints resolution mechanism.
- The above mentioned policy measures should be integral element of coherent strategy on financial inclusion, which will support to the integration of microfinance practice into the financial system will come to complete the financial intermediation allowing to reach unbanked population and to offer client-oriented services based on the existing demand and adjusted to clients' changing needs.

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Soft Skill Training for Students

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ABSTRACT

This paper is the result of a study on the importance of Soft skills for the development of students. This paper explores why it is important in building a complete professional along with their hard skills or technical excellence. Today there is tough competition in corporate world and technical excellence and experience are not enough to become a good performer. Employers are looking for vibrant people, who are resourceful, ethical and self-directed with best soft skill qualities. Some important soft skill traits that corporate world/employers are searching for are oral and written communication skills, team work, leadership skills, self-motivation, critical thinking, creativity, interpersonal skill, problem solving skill, etc. Becoming a good professional not only needs acquiring technical excellence and hard skills but also learning professional attitude, emotional stability and interpersonal as well as communication skills. Student's personality development is really a felt need in our corporate world. There is definite and vital role of soft skill training program in personality development of students. So students need to be trained in all these soft skills along with their technical knowledge, so that they can come out with flying colures as good professionals.

KEYWORDS: Soft skills, Soft skill training program, Personality development

INTRODUCTION

Soft skills helps students to socialize with surroundings. It include good manners and personality traits needed to work with a group and to build good relations. Hard skills consists of a person's technical knowledge and the ability to perform his/her personal assignments. Hard skills might help students to get an interview, but he/she need soft skills to catch it and to perform. Communication skill is very important for any corporates or professionals in this competitive era. Most of the managers today know what they need to do and how to do, but they find it difficult to communicate the task or assignments to others. This acts as a hurdle to reach the objectives. In order to inculcate these kinds of skills they should be provided with soft skill training along with their technical curriculum. This will ensure them to build up their personality and will help them to reach a powerful position in the competitive world.

Hard skills contributes to only 15% of one's success while remaining 85% is made by soft skills. (Watts M and Watts R k, 2008).

Today it is very important to notice that national level support is offered to bridge the gap between the skills and knowledge developed by vocational training schools and the requirements of corporate world .Our Honorable Prime Minister Narendra Modi has introduced powerful plan to top-up the existing technical syllabus in industrial training institutes with modules aimed at making them ready for the modern work place. (Economic Times, September, 15, 2015).

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Poor spoken English keep a large number of India's engineers from landing some of the best paid jobs in the world. As per the report of a study, about 67 percent of engineers graduating from India's colleges do not possess Spoken English skills required for any job in knowledge economy. (Economic Times, August7, 2015)

According to Abhijith Bhaduri, chief learning officer, Wipro India, "Staying updated is vital for success in the industry today. To achieve this one have to craft a continuous learning strategy. Successful careers are built on being an expert in your area". (Times Jobs, March30, 2015)

DEFINITIONS

Soft skills is a term often associated with a person's EQ (Emotional Intelligent Quotient), cluster of personality traits, social graces, communication, language, personal habits, interpersonal skills, managing people, leadership etc. that characterize relationship with other people. Soft skills are personal attributes that enables someone to interact effectively and harmoniously with other people it include all aspects of generic skills that include the cognitive elements associated with non-academic skills. Soft skills are identified as the most critical skills in current global job market especially in a fast-moving era of technology. Soft skills contribute to a person's ability to manage him or herself and relate to other people skills which matter twice as much as IQ or technical skills in job success.

The Center for Career Opportunities at Perdue University defines soft skills as "The cluster of personality traits, social graces and facility with language, personal habits, friendliness and optimism that mark each of us to varying degrees." The list soft skills include teamwork, self-discipline, courtesy, work ethic, self-confidence, language proficiency, etc...It is a catch-all term referring to various behaviors that help people work and socialize well with others. Soft skills are good manners and personality traits needed to get along with others and get along with others and build positive relationships.

SOFT SKILL TRAITS

Interpersonal Skills are the like skills we use in our day to day life to interact and communicate with other people, both individually and in groups. Developing strong interpersonal skills aids to gain more success in both personal and professional life. According to Dr. Dev M Rungapadiachy "interpersonal skills consist of those skills which one need in order to communicate effectively with another person or a group of people."

Team work, A Team is a group of people working together towards a common goal. Team Work according to John Donne, English poet, "No man is an island, entire of itself; every man is a piece of continent".

Presentation Skills are required in almost every field today. Presenting information clearly and effectively is a key skill to get your message or opinion across. "As soon as you move one step up from the bottom, your effectiveness depends on your ability to reach others through spoken and written world" – Peter Ducker The father of modern of modern management. Presentation secrets of modern management is divided into three acts of play 1) Create the story 2) Deliver the experience and 3) Refine and rehearse. A person can have greatest idea in the world-completely different and novel-but if that person can't convince enough other people, it doesn't matter. (Gregory Berns)

Body Language is the nonverbal communication where thoughts, intentions or feelings are expressed by physical behaviors, such as facial expressions, body posture, gestures, eye movement, touch and the use of space. "Body Language shows how our bodies reveal our thoughts, attitudes and desires" according to Julius Fast.

A person's soft skill EQ is an important for the success of his career. Particularly for those who deal with customers on face to face interactions. In modern era employers seek soft skills increasingly in addition to standard qualification among the candidates.

SOFT SKILL TRAINING-OBJECTIVE

- Develop Interpersonal skills, leadership skills and team management skills.
- Equip students with enhanced presentation skills for effective business correspondence and prepare reports.
- Develop effective communication skill, both written and oral.
- Aid students to improve their problem solving and diction making skills, ability to work under pressure on professional circumstances with effective time management and organized work pattern.
- Inspire creativity.
- Make effective use of computer knowledge to be resourceful.
- Help students be adaptable for different working conditions with good professional ethics.
- Make students more competent in the aspects for current job requirements by expanding their skills.

THE STUDY

This paper is a detailed study on the importance of soft skill training program for the students. A detailed evaluation on different variables of soft skill has been made as a part of the study.

OBJECTIVE

- To find out the importance of soft skill training program for students.
- To evaluate the effectiveness of soft skill training program for improving soft skill among students.

UNIVERSE OF THE STUDY

The universe of the study consist of the students of MET'S School of Engineering, Mala, Kerala.

SAMPLE SIZE

The study is based on the sample of 25 respondents and the samples are taken on Simple Random Sampling Method.

TOOLS FOR DATA COLLECTION

To collect data for the study Questionnaire method has been used. Questionnaire for this study consist of different questions regarding different soft skill traits.

SOURCES OF DATA

Primary data have been collected from the students by using questionnaire. Secondary data have been collected from indirect sources like Journals, newspapers, websites, etc....

LIMITATIONS

- The sample taken is insufficient to generalize findings.
- Some students are reluctant to disclose information correctly
- The area of study is very vast and due to limited time I could focus only on small area.
- The possibility of bias in answering certain questions is another limitation of the study.

DATA ANALYSIS AND INTERPRETATION

The study assumes that the group from which the data is collected represent the students. And the data collected is with respect to the soft skills developed due to the soft skill training programs provided to the students. Response not at all has been assigned as 0 score, little bit as 1, moderately as 2 and yes, very much as 3 score points. Average score of each student for all traits are derived and the converted the scores to percentage system for more clarity as easy analysis.

According to the data derived from the table, we can see the average soft skill score of students for each traits and average soft skill score of students. Even though the total average soft skills score is 66.18%, we can see that average score for some traits are way below this. From the graph derived from the data and the table we can see that the current training program has helped students on significant development of their skills on interpersonal skills, body language, presentation skills, creativity, influencing, computer knowledge, quick learning, team work, risk taking, listening and decision making. Thus helped them to improve their employability to a much higher level. We can also see that the traits which needs more attention on training programs are time management, adaptability, ethics, organizing, and multicultural skills whereas oral skills, work under pressure, problem solving and resourceful needs most and immediate attention on forth coming training programs.

CONCLUSION

Today soft skills are very important for the personality development of students which will help them to widen employment opportunities and future growth possibilities for them. Professionals should have the ability to manage their interpersonal relationships, communication (both oral and written) skills, leadership skill, team work, time, problem solving skill, etc. to become effective and successful in their career. So it is very important to inculcate all these soft skill traits in students with special attention. Extra care should be given for identifying and promoting those soft skill which are found to be weak among students. As a result all these will be reflected during the time of an interview the face for placement and further advancement of their career.

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The Higher Education Dynamics and Economic Growth: The Case of Uzbekistan

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ABSTRACT

Along with the capital and human resources the quantity and quality of education in general, higher education particularly, may have significant effect on economic growth. In the article, the achievements and challenges of education and innovation systems and their role in fostering of economic growth of Uzbekistan investigated. The research results revealed the existence of correlation between quantity of higher education and the economic growth in Uzbekistan. Regression estimation with GDP growth as dependent variable and number of graduates, per graduator costs as well as accumulated average year of schooling as independent variables revealed strong the relationship between higher education and economic growth in Uzbekistan.

Keywords: Uzbekistan, economic growth, higher education, graduates, regression

Introduction

Uzbekistan is among the top nations in the literacy rate ranking. This indicates that school attendance is very high, which is not surprising if to take into account that in Uzbekistan secondary education is compulsory and schools are under control and provision of government. Taking about model of reforming educational system in Uzbekistan and experience of its implementation it is important to mention that, about 35% of Uzbekistan population is children under 16 and 60% are youth under 30. In the world education Uzbekistan has relatively high index of education and proportionately greater than the indexes of life expectancy and GDP with an average of 0.77. This shows the importance of education, especially higher education, in Uzbekistan. The development of the area is not only the quantity but also the quality of education. The Uzbek economy has faced three phases of growth. First phase covers the period, roughly, from 1991 to 1998 during which country recovered from the negative economic and social corollaries of the collapsed Soviet Union and transited to sustainable growth cycle. At the initial stages of development, thus, new state had to address the issues related to elimination of dependency and providing self-sufficiency of food, low labor as well as technological development with obsolescent and worn-out machinery across sectors of production, incomplete structure of production and shaking socio-economic living standards, especially, in rural areas (Saidova, 1998). Uzbekistan has embarked on National Professional Training Program (NPTP) that includes +3 year compulsory vocational education at college or lyceum added to 9 years of secondary school from 1997. After implementation of NPTP, public expenditure on education sector had increased and 7.5% of total budget per year had devoted to compulsory vocational education. This research covers second and third phases of economic development and investigates how the implementation of the National Professional Training Program effected on economic growth of a country.

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Literature review

It is obvious that, cognitive skills have a substantial effect on economic growth of any country. Many economists have been interested in learning not only the effect of quantity of education but also the effect of quality of education on economic growth since 1970s. Barro (1999) examined the schooling quality and economic growth while Hanushek and Kimko (2000), Hanushek and Kim (1995), Hanushek and Woessmann (2007) had studied the relationship between quality of education and economic growth. Hanushek, Kim and Woessmann have measured the quality of education based on cognitive skills in mathematics and science whereas Barro (1999) uses data on internationally test scores to measure the schooling quality and these researchers have found that, qualitative education has a strong and robust influence on economic growth. In this empirical research, the main issue will be to discuss the direct correlation between quantity of higher education and economic growth in Uzbekistan and to find out whether skilled labor is more important than the quantity of educated workforce in Uzbekistan.

The researchers, Eduardo and Marcio Laurini from Insper Institute of Education and Research and Ibmec Business School, have presented new evidence on the role of cognitive skills in Economic Development. An article by Dr. Robert B. Kozma, (2005) provides good understanding of knowledge economy and its contribution to economic growth. He refers that, the creation and sharing knowledge feed into the economy to generate knowledge-driven, virtuous cycle sustainable growth, which reflects the knowledge economy that brings a country sustainable growth for their economy. The researcher illustrates the case of Finland as an excellent example. In the early 1990s, Finnish economy faced a significant recession with an average GDP growth rate of -3.68% from 1990 to 1993. However, from 1994 to 2000, GDP per capita growth rate turned into 4.39% and Finland became one of the competitive economies in the world. During this period, the unemployment rate declined in half, the trade balance moved from large deficit into trade surplus and Helsinki's stock market rose very well over 200%. This dramatic turn was due to the implementation of investments in technological infrastructure, education, research, and development, emphasizing the creation and sharing of new knowledge. Thus, 21st century students are required to have cognitive skills in order to continuously learn and create new knowledge, which will cause to economic growth.

However, Lant Pritchett (1996) does not support the ideas of other researchers who consider the positive relationship of massive education to economic growth. No one denies that there is a partial correlation between enrollment ratios and economic growth. However, Pritchett (1996) advised not to use this partial correlation in assessing the impact of human capital change. He considers that, there must be another interpretation for the partial correlation of enrollment rates and economic growth. Uzbekistan's researchers from Center for Social Research Yakov Asminkin and Olga Nemirovskaya, Tashkent have conducted research on education reforms in Uzbekistan. They provided qualitative analysis of the current situation of national higher education and suggested the ways of deepening the reform.

Methodology

Using annual data of the Republic of Uzbekistan from 1997 to 2014, descriptive analysis and statistical tests are undertaken in additional to empirical estimations. In accordance with the Constitution of the Republic of Uzbekistan, all citizens of the country are entitled to receive education. The state guarantees everyone a free general education and school education is under the supervision of the state. Empirical analysis showed that Uzbekistan has not been able to utilize its full potential leaving significant gap to be filled with recommended policy and institutional reforms. Nowadays compilation of technological

development, innovations and knowledge is a credible factor of production. Thus, investments into R&D, deepening knowledge, enhancing innovations would create path for unlimited growth for Uzbekistan's economy. First, it is clear that GDP growth rate or GDP per capita growth is the best to represent economic growth. In constructing econometric models however, we selected carefully explanatory variables. During the research, we discussed and compared many versions of best representative variables of the economic growth, quantity and quality of education. One of the theories was to explain economic growth due to education quality via government investment in education sector. However, investment in education has no direct effect on education quality – it may enhance teaching tools and facilities, motivate teachers and have many other effects. The data in the study obtained from the following sources:

- GDP per capita (Y/N): World Development Indicators and Human Development Reports
- Schooling enrolment ratio, government expenditure on education: World Bank indicators
- Student/teacher ratios: UNESCO and World Bank education statistics
- Other information: Finance Ministry, Higher and Secondary Special Education Ministry, State Statistical Committee, and Labor and Social Protection Ministry of the Republic of Uzbekistan

Overview of the higher education system and the labor market

Nowadays, the higher education system of Uzbekistan consists of 65 higher education establishments including 23 universities and 42 institutes. Overall, enrollment at higher education institutes in 2014-2015 accounted for 59.5 thousand students. The distribution of the number of students according to their majors is also undergoing a change. The structure of the education institutions is the following: 22 specialize in education, 15 in industry, communication, construction and transportation, five in medicine, four in agriculture, nine in economy and law, the rest in other industries. In 2014, 273,700 out of 286,300 students were undergraduates and 12,600 were graduate students.

Nowadays in the national economy is going on the deep economic reforms and modernization process that requires an implementation of new of technologies for that there is need to increase the number of qualified workers. According to the State Statistical Committee data the labor force of Uzbekistan in 2013 was accounted for 12412, thousand workers of which 2978, 8 were university graduates (24%) and 9432.7 thousand (76%) lyceum or college graduates. The number of HEI graduates and secondary special education establishments has tendency to increase over time. It is worthy to mention that thanks to implementation of the State Program on Employment each year more than 900 thousand new work places are opened in the national economy. The Uzbek universities sign log-term triangle contracts (enterpriseuniversity-graduate) with the enterprises to employ the new graduates. For instance, in 2000 workers with higher education diploma was accounted for 20% against 24% in 2013.But the current market need for specialists in the structural terms is not match with the market supply (UNDP 2005). Despite measures taken to address organizational, financial and educational aspects, higher education in Uzbekistan currently fails to ensure training of skilled human resources that meet the new requirements of the labor market (UNDP 2012). University graduates often lack the skills for successfully developing business and knowledge of the market economy. The demand of the business sector for human resources training is more dynamic than the ability of state educational facilities to meet them. Under these conditions, it is difficult to balance the labor market demand and supply. Consequently, social spheres: healthcare, education remain understaffed even though a sufficient number of specialists are trained. There is still a lack of engineering, mining, ICT specialists for industrial enterprises and of skilled and experienced managers for small

business. With regard to labor market demand, personnel training is still problematic in other spheres. It is worthy to point out the extension of education quality effect on GDP growth of Uzbekistan. Estimation results above showed that the average years of schooling taken as proxy variable of education quality had effected on changes in economic prosperity of Uzbekistan.

Regression Models Identification

We begin our quantitative analysis of the relationship between economic growth and the higher education. The dependent variable is the GDP per capita growth, in \$1000. The regresses are the share of university graduate workers in the labor force of the economy (SHQW, in percentage), the investment in education sector, (CI in bin\$). For the model specifications, we introduce the following notations of dependent and explanatory variables:

- GDP per capita, in \$1000;
- Economic growth rate, EG, percentage;
- Capital Investment, CI, in billion US dollars;
- Capital Investment growth rate, CI, percentage;
- Share of the high qualified workers in the labor force, (HEI graduates), SHQW, in percentage;
- Total number of labor force, engaged in production, LF, in 1000 workers;
- Number of annual HEI graduates, DNG, in persons;
- Annual Growth rate of DNG, percentage;

Aggregated investments into the sectors for 1997-2014 grew by 15,8% and exceeded 24% of national income, on average, during the second and third phases of development. The efficiency of the economy (total factors productivity) grew by 4%, average, during the high growth phase. Respectively, real income of the nation grew by average 6.5% from 2006 to 2012.During 1997-2014 period numbers of qualified workers and HEI graduates grew faster than total labor force, which were accounted for respectively 3.3% and 2.2%. The average years of schooling has increased slowly, at rate of 0.8%.From 2006 to 2013, stable and moderate GDP growth rates of the country had relatively more triggered by the growth rates of labor and capital rather than that of productivity. Specifically, increasing number of highly educated and skilled labor force combined with appropriate labor market policies has contributed to the aggregate output growth during the second phase. Thanks to the improving business spheres, encouraged SMEs, comprehensive trade policies as well as increasing spending on R&D, education and social-welfare, productivity and its contribution to the country's economic growth increased significantly. According to our estimations for 2006-2014 years around 70% of the GDP, growth rates were attributable to the growth of efficiency in the economy.

Preliminary analysis concluded that productivity growth has constituted significant portion of economic growth of the country. With increasing labor factor, theory predicts that increase in the savings rate, or equally investments, leads to permanent increase in growth rates as growth in capital accumulation followed by permanent faster growth of labor never leads to diminishing returns to capital. Permanent increase in labor is obvious by the fact that there is always unemployment in any market economy.

In order to model a time series data with the Box-Jenkins approach the series has to be jointly stationary. In practical terms, the series is stationary it tends to wonder more or less uniformly about some

fixed level (Stock J.H and Watson M.W., ****Year). In statistical terms, a stationary process assumed in particular state of statistical equilibrium, i.e. p(x) is the same for all t. Because for our research the time series data is using, we conducted the Dickey-Fuller test. We built a regression lines between fractions of the current values of variables (GDP, SHQW, CI) dependent on a fraction of previous values of the series. In all cases, p-values of variables were less than 0.05 or 5%, so we rejected the null hypothesis and proceeded with econometric analysis. Our time series data is jointly stationary and we can conduct regression analysis based on OLS estimations. Our task is not to develop a forecasting model but rather to estimate causal relationships among time series variables, that is, to estimate the dynamic causal effect on Y over time of change in controlled variables.

To identify the model, firstly we needed to choose and decide which functional form to use for the research. Firstly, we develop LIN, LOG-LIN, LIN-LOG and LOG-LOG model specifications. In order to see the linear relationship between GDP growth and the share of HEI graduates in the labor force, capital investments in education, the weighted average performance rate of graduates in final exams and average years of schooling of workers in the national economy. Row (1) presents the base specification, in which the repressors are the economic growth and four control variables, the percentage of higher diploma workers in the labor force, investment in education sector, the weighted average schooling of workers and the weighted average marks of graduates in the final exams. As we can see from equation (1), high values of the economic growth rate to be associated with a future increase of all the controlled variables.

This model assumes that there is direct linear relationship between dependent and independent variables i.e. absolute change in one or more explanatory variables will cause absolute change in a dependent variable.

In LOG-LIN model, the logarithms of GDP growth rate is a dependent variable and the explanatory variables are the same as in the above model. This function assumes that absolute change in one or more independent variables will cause relative (percentage) change in dependent variable. Next, by taking the GDP per capita growth rate as the dependent variable and the share of HEI graduates in the labor force, capital investments in education sector, the weighted average performance rate of graduates in final exams and average years of schooling of workers in the national economy as independent variables we will construct LIN-LOG model. Finally, in LOG-LOG model both dependent and independent variables we took in logarithms and regressed. This function assumes that relative change in the independent variable(s) will entail relative change in the dependent variable.

Table 1 summarizes the results of regressions of the economic growth on various sets of repressors. Each row summarizes a separate regression. Each regression has the same dependent variable, economic growth rates. The entries in the first five columns are the estimated regression coefficients, with their standard errors below them in parentheses. The asterisks indicate whether the t-statistics, testing hypothesis that the relevant coefficient is zero, is significant at the 10 (one asterisk), five (two asterisks), or 1% level (three asterisks). The final two columns contain summary statistics for Akaike information criterion (AIC) and Schwarz information criterion (SIC) criterion. Regressions that include the economic growth and control variables measuring growth characteristics reported in row (1) trough (4)

To choose between these functional forms four different regressions were estimated. To choose the proper model, we have to compare: (1) R^2 , (2) Akaike information criterion (AIC) and (3) Schwarz information criterion (SIC), F, and t-analysis and test coefficients on statistical significance.

Y (GDP per capita) = $\beta_0 + \beta_1$ SHQW + β_2 CI + β_3 NZ+ β_4 SPER

 $\text{Log}(Y \text{ (GDP per capita)}) = {\beta_0} + {\beta_1} \text{ SHQW} + {\beta_2} \text{CI} + {\beta_3} \text{NZ} + {\beta_4} SPER$ $Y \text{ (GDP per capita)} = \text{Log} {\beta_0} + {\beta_1} \text{Log} \text{ (SHQW)} + {\beta_2} \text{Log} \text{ (CI)} + {\beta_3} \text{Log} \text{ (NZ)} + {\beta_4} Log(SPER)$ $\text{Log}(Y \text{ (GDP per capita)}) = \text{Log} {\beta_0} + {\beta_1} \text{Log} \text{ (SHQW)} + {\beta_2} \text{Log} \text{ (CI)} + {\beta_3} \text{Log} \text{ (NZ)} + {\beta_4} Log(SPER)$ The values of intercept and slope coefficients are shown in table 1.

Model	Parameters					R^2	AIC	SIC
types	$oldsymbol{eta}_0$	eta_1	eta_2	β_3	eta_4			
LIN	-10886** (2070)	154.52*** (25.81)	49.809** (13.82)	223.3* (135.9)	112.2*** (42.8)	0.98	12.7	13.08
LOG-LIN	3.621*** (0.576)	0.0462*** (0.0072)	0.0056*** (0.0038)	0.082 [*] (0.037)	0.034** (0.01)	0.98	3.58	3.34
LIN-LOG	-51570* (9856)	2949.2*** (487.6)	320.2* (67.56)	2850 [*] . (1502.9)	8989** (2916)	0.98	12.7	12.96
LOG- LOG	-8.750* (2.751)	0.901*** (0.1361)	0.0510* (0.0188)	0.911 [*] (0.41)	2.750** (0.81)	0.98	3.64	3.40

 Table 1. Comparison of Economic Growth Functional Specifications

Notes: Robust standard errors reported in parenthesis. *, **, *** Significant at the 10%, 5% and 1% levels respectively. F-statistics respectively are 172,184,187 and 200.

We know that R² is one of the measures of goodness of fit of a regression model and it always lies between zero and one. R² explains how well independent variables fit to a dependant variable. The more it is close to 1, the more the dependent variable is explained by the independent variables used and vice versa(Gujarati, 2004). Moreover, when comparing two or more models, the model with the lowest values of AIC and SIC are preferred¹. Table 1 above summarizes the comparison of four models:

As we see from the results, the independent variables better explains the dependent variable as R² is the highest in the LIN-LIN and LOG-LOG models. As for AIC and SIC, the lowest values of them are in these models. Among these, the logarithm model satisfies all above-mentioned conditions and that we will use for further analysis. According to this regression, an additional percentage of the graduate workers' share in the labor force, investment, average schooling and weighted average graduate marks increases the economic growth respectively by 0.901, 0.051, 0.911 and 2.750 percentages. However, there is another issue to consider. As we know education, quantity measured in graduates will have effect on economic growth after some years of graduation. In other words, the quantity of educated workforce puts effort only after this workforce enters the labor market. So, one should be careful with estimating correlation between education quantity and economic growth in current stage.

To identify the quantitative influence of higher education further number of annually graduates as explanatory variable (DNG) included to the model. Different types of the specifications between economic growth and number of annually graduates and capital investment were regressed

Y (GDP per capita) = $\alpha_0 + \alpha_1 DNG + \alpha_2 CI$

 $Log(Y (GDP per capita)) = \alpha_0 + \alpha_1 DNG + \alpha_2 CI$

Y (GDP per capita) = $Log^{\alpha_0} + \alpha_1 Log (DNG) + \alpha_2 Log (CI)$

 $Log(Y (GDP \text{ per capita})) = Log^{\alpha_0} + \alpha_1 Log (DNG) + \alpha_2 Log (CI)$

The values of intercept and slope coefficients we presented in table two.

Therefore, the estimation and statistical testing returned the following results:

Y (GDP per capita) = 1000.55+0.031324DNG + 95.25628CI

Types of	Parameters					
models	$lpha_{_0}$	$lpha_1$	$lpha_2$	R ²	AIG	SIG
LIN	1000**	0.031***				
	(207.5)	(0.004)	95.25**			
			(23.09)	0.9250	14.11	14.26
LOG-LIN	7.36***	1.03E-05	0.02***	0.9231	2.128	1.981
	(0.061)	(1.25E- 06)	(0.0068)			
LIN-LOG	-16815.	1772.3**	541.9*	0.8943	14.45	14.60
	(2697)	(256.5)	(149.9)			
LOG-LOG	1.6167*	0.575***				
	(0.773)	(0.073)	0.11***	0.8993	1.857	1.710
			(0.043)			

Notes: Robust standard errors reported in parenthesis. *, **, *** Significant at the 10%, 5% and 1% levels respectively.

All coefficients of the models are statistically significant. For the further analysis, we have selected the best-fitted specifications: the LIN-LIN and LOG-LOG models. The results in the linear specification suggest that one unit change in a number of graduate's and capital investments causes respectively around 31 dollar and 95-dollar increase of per capita output. In the LOG-LOG model, one percent change of the number of graduates, other factors held constant, increases the economic growth by 0.57 percent and one percent change of the investment - by 0.11 percent. We assume that the unemployment rate in a country is constant and annual graduates of universities join the workforce without time lags, because all graduates in three months find the job places. The migration of the workforce we do not consider because mainly unskilled workers migrate outside of the country.

Conclusions

Assessment of data and comparison of variables pointed out that education quantity is an important determinant of economic growth. Interesting finding was that quantity and quality of education positively related to the economic growth, what indicates the importance of considering the quality of education rather than its quantity.

In the wide scope, research revealed direct relationship between economic growth and higher education quality and quantity. Although the correlation is weak, number and level of educated workforce have significant influence on economic growth. Especially, education quality is a very critical factor of steady economic expansion in very long run. The hypothesis of direct relationship between education quantity and economic growth confirmed from the estimation results. The relationship is positive but not very strong. This suggests that targeting to increase the number of educated workforce may be inefficient way of supporting economic growth or even cause fall in actual output.

Since the model is very generic, more research is necessary — especially to find specific solutions for different proxy variables of quality. Additionally, research will be initiated to analyze the differences and adaptation requirements for different proxy education quality to include lagged explanatory variables.

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Economic Interests of The State In The Context of National Interests

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ABSTRACT

This paper investigates the major points of economic interest of the state in the context of national interests. On this way, qualitative analyses are conducted to make highlight better analyses. Moreover, has been stated the status quo of the economy with the infrastructures of it, while major shortcomings and drawbacks were highlighted as whole. Conclusions of the paper would serve on the economic development of economic related investigations as whole.

Keywords : Economy, state mechanism, national interest, Uzbekistan.

Introduction

This perceived needs of the state, determined by the state of economic and geopolitical relations in this era of cultural and historical traditions, the need to ensure security, protection of the population against external threats and internal strife, environmental disasters and so on (A. Akimov & Dollery, 2009).

The term "national interest" in the Uzbek political scientist came from English-speaking Western political literature, in which it has a value of "public interest." National interests - understood primarily as the interests of the state, as Western countries are mono-national states (not only in the ethnic aspect as socially). Nation is bi-unity of civil society and the state (A. V. Akimov & Dollery, 2006).

By default, the national interest is presented as a synthesis of interest, which removes the contradiction between the interests of the state and civil society. The theoretical understanding of national interest has priority school "political realism", in which the interest is determined primarily by foreign conditions. An exception to the concept of national interest in the internal political factors "realistic" because this group of issues relates to the field of so-called "public interest", i.e interest defined by the various segments of civil society (Asadov & Aripov, 2009).

In the domestic political science reveals differences of principle in understanding this category, and in the formulation of national interests. The content of national interests to a greater extent will be disclosed in the context of foreign policy conditions(Calhoun, 2013; Chandra, 2014). In relation to the surrounding outside world, national interests are expressed in the aggregate foreign policy interests of the state, which vary in their importance to his life (Djanibekov & others, 2008).

Varies fixed (unchanging constant) and variable content of national interest. Fixed part includes the task of ensuring the external security of the state. Variable content is viewed through the prism of national traditions and the personal qualities of political leaders, the trends in the economic and social spheres of social life and so on.

The real material and political development of the state needs may change, and with them are changing, respectively, interests, goals, means, and foreign policy. Changing needs and interests of the state leads to change and ideological values.

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There are two levels of national interests: the level of the main foreign policy interests and the level of specific interests. The first relates to ensuring its security and integrity as a socio-economic, political, national historical and cultural community, the protection of economic and political independence of the state. The main interests of the state provides all military, economic, diplomatic, and ideological means(Corsi & Akhunov, 2000; Kaplan & Haenlein, 2011).

Among the most important national interests should be the interests of the national community or group, united by specific constraints, and relationships of the genetic and cultural homogeneity. National interests are embodied in one nation striving for cooperation and integration based on a common culture, which is expressed in the language, family, religious and moral traditions and customs, ways of recreation, political systems and behavior.

Talking about the concept of "national interest" in modern science it may be noted that under the state of relations with the outside world very many aspects directly or indirectly related with this concept. As a result, questions of "national interest" are under the special attention of scientists, politicians, economists, and so on. However, it should be noted that among the researchers, there is some disagreement about the nature of this concept (Hodjaeva, 2014).

Literature review

One view is that the national interest because of its irrelevance in modern conditions of development of human society, is a scientific archaic or "one of the numerous science pseudo concept beyond which no reality not hiding," as noted D.E Furman. In particular, he believes that this concept reduces the complexity of the political behavior of primitive and elementary selfish motives. "National interest, - says scientist - pseudo concept similar to another related pseudo concept" class interest ", it is very convenient, because of their uncertainty and the emotional" charge "for the political debate, but unsuitable for scientific discussion and analysis" (Gilmore, Collin, & Townsend, 2007).

Critique of the concept of "national interest" in their views exposes B.G.Kapustin that marks subject less national interest. He writes "the concept of" national interest "is harmful to the democratic position. Based on the fact that modern society is a society of irreducible pluralism that only through the interaction of private interests. The idea of the general interest, that such representations are historical because volatile and do the private interests and the will, and the conditions of their game, no matter what tradition do not affect the formation of ". The author does not accept this concept because, in his view, a single "national interest" implies the existence of domestic total of "cultural identity". Whereas under the conditions of "multiculturalism" or cultural pluralism, characteristic of many countries in the world, a common understanding of the public good "will have very little to do with the idea of" national interest "(Hodjaeva, 2014).

Nevertheless, B.G.Kapustin believes that "the idea of" national interest "- an interesting subject of research and study of how and why it developed, what the ideological and political role it plays in the functioning of the mechanism of power, etc. But it is - a very imperfect instrument of knowledge while considering all the features" (Juraev, n.d.; Kurbanova, 2013).

However, despite these critical opinions, most scientists takes a different point of view - not denying the existence of a whole range of complicated, insufficiently studied, and extremely sensitive issues that arise in the study of national interests, science has neither moral nor professional right to evade their study . In particular, L. I Abalkin notes the importance of the research objective fact of national interests, the ability to

isolate their roots and to separate themselves from the interests of their external expression in the ideological and political doctrines forms.

From the viewpoint of E.A Pozdnyakov, the national interest cannot be separated from the state, and in fact identical to the public interest. Although this approach has been criticized due to the fact that the role of the foreign policy of the state has steadily decreased with the emergence of new actors in world politics in the face of multinational corporations, military units, regional organizations, international non-governmental associations, and so on. Despite this, the state continues to be the main subject of international relations. In the UN, as well as regional organizations and military units of the policy determined by the State delegations and negotiations are the representatives of states. The scale of the data subject area of responsibility cannot be determined without knowing the national interest.

His views E.A Pozdnyakov based on the concept of permanent and temporary interests, created at the time the American political scientist Hans Morgenthau. Pozdnyakov said that national interests formed of orchestration private interests of citizens and the common goal of the state and has a two-tier structure. The first level of the main foreign policy interests include the interests of the state associated with the provision of its "security and integrity of a particular socio-economic, political, national historical and cultural community." His main interests, the state protects all the means at its disposal. These interests are more stable and constant. The second level is of particular concern, which cover individual, minor interests in the international arena: the conflicts, the problems do not contain direct threats to national security. Specific interests less constant than the top.

If we talk about the G.Morgentau, it is considered one of the founders of political realism, the supporters of which was most thoroughly the problem of "national interest" has been developed, and in which this concept was given decisive importance in international relations.

In particular, one of the fundamental principles of political realism is the principle of national interests, understood in terms of authority and power. The concept of national interest can be considered as the sphere of international politics, relatively independent from such areas as economics, religion, and ethnic relations. Morgenthau wrote that it is the concept of interest is interpreted in terms of authority and power, allows a theoretical understanding of international relations (Mishkin, 2007).

Under the terms of political realism, international relations are anarchic. Each is guided only by their own interests, so the main impetus in the international arena - national interests. Since in international relations, national interests of states are constantly faced, the main goal of the state is to ensure its own security. The main resource of its software - the power in the broadest sense, the main feature of which is the ability to control the behavior of other participants in international relations. Other state behavior in the international arena - raising the prestige of the state and meet the economic interests of the layers that have political weight in the country.

From a different point of view, paper investigated at all. In favor of A.A Galkin, defining the national interest as an "objective basis for cooperation, formed the desire of the social system to survive. On this case, a diverse set of established values, interpretations and perceptions rooted in contradictory interweaving of individual and group interests, manifested either A direct -Vienna, or a transfigured form-Modifying the tsarinas under the influence of traditions and modes of co-socialization, dominant ideology and so on.

In general, the problem of the relation of private, group, government, public and national interests is a

central and at the same time, most controversial places of economic science, as well as many other social sciences. The dualism of public and individual interest in the nature of the researcher notes A.G Sanity. So, in his opinion, "the public interest cannot manifest itself only through a set of individual aspirations, but each individual interest tends to acquire the Company recognizes a form in order to get the successful implementation of the on-society.

In a broad sense, refers to the fundamental interest of power, based on the desire for self-preservation and self-aggrandizement that motivate or should motivate the actions of the ruler or the state, the individual, and later a group of people occupying a similar social or economic position. Analyzing the views of various scholars on the nature by the concept of Albert O.

Furthermore, Hirschman notes that the term "at times enjoyed great prestige because it was thought that he represents the key to effective peace and public order. At the same time exposed to attacks as the motive leading to the degradation of the human spirit and the destruction of the foundations of society".

However, as discovered Mandeville and David Hume, has a special interest in the attention not only on the actions of government officials, but also on the activities of ordinary citizens. In an essay, David Hume "On the independence of parliament" contains the following lines: "... Everyone is supposed to cheat, and there is no other explanation for all his actions, than private interest. Through this interest, we have to manage it, and force it, contrary to the insatiable greed and ambition, to promote the public good. "

Thus, national interests are added in the course of a long historical process in which the interaction of diverse private interests. Amosov considers that from the perspective of the general laws governing the evolution of the economy in the central place it is necessary to put the interests of the person and treat them as its starting point, since the composition of the individual interests of the unchanging throughout history.

One of the most deployed and reasonable position on this issue is the point of view of Y. Olsevich. Firstly, he emphasizes the difference between the national and social approach, since society is always historically limited system, the period of her life is much shorter than the life of the nation and the interests of the latter is wider and deeper than any given social system.

Secondly, Y.Olsevich inclined to think that "the interests of the individual, overlapping with national, but contrary to the interests of the state - above the state interests. However, the person that places its own interests above the interests of the nation is outside the state ".

Shahovskaya L.S and Dnieper I.V have also worked on this issue. In his work defined the national interests of both subject less category, as their carrier serves national community, which has its own history and characterized by a certain originality. This community has a collection of individuals with their own, private interests. Private interests of specific individuals coincide with the national interest as long as the individual does not oppose the national community (Hodjaeva, 2014; Nematovich, 2016).

The authors presented the national interest as a model, the internal structure of which consists of six basic components, as well as the kernel - the state component in the diversity of their relationships. National interests are the level in the hierarchy of human society, which expresses the nation, needs both internally coherent and original social education in ethnic unity of its properties, taking into account the existence of the interests of individuals, social groups, economic entities, state one way or another involved in their formation.

Economic interests of the state in the context of national interests

Within the framework of national interests identified the following components: GS - state as the core; ES - economic; SS - social; PS - political; NCC - moral and cultural; NTS - scientific and technological; ECOS - Ecological.

It should be noted that according to the American scientist Morton A. Kaplan, the nation's interests lie in meeting national needs. From which it follows that national interests are objective, and therefore there are many kinds of national interests, and as national needs.

By analyzing the internal structure of a complex of national interest (SOI), and Shahovskaya Dnieper first point state component as a structure element of the model. The main public interest in the structure of the SOI is a national security state, development trends and the conditions of life of the nation, which guarantee the security of its vital interests, "Survival, free, independent functioning and prosperity while maintaining its fundamental values and basic institutions".

Relations between state component and six other components of the SOI model, according to the authors provide a national economic, political, social, and environmental, information technology and security, respectively.

Despite the fact that the state component, which is responsible for national security, is a kind of the core of the design, in the model of the SOI do not emit more important or less important part. For example, the environmental component of the SOI is responsible for the management of natural resources, preservation and reproduction of natural human environment, the greening of the economy and society, etc.

Political security, the preservation of the legitimate political system, stable political system provides the connection components and the political component of the state of the SOI. Accordingly, social security - the need for the social sphere of society and state protection from threats that can expose its destruction or determine its degradation, which, at the same time, manifests as the need to develop social structures and relations in society, improvement of living standards in accordance with international standards and so on - provided the social component.

Impact of moral-cultural components of national interests in relation to the state component is responsible for information security in the protection of their own information resources and provides the opportunity to information risks and threats, negative information influence on individual and social consciousness and the psyche of people (Tadjibaeva, Komilova, & others, 2009).

Scientific and technical component in conjunction with the public component of the SOI makes it necessary to process safety, that is, the state of protection from internal and external threats in the implementation used or planned technologies of human industrial activity, as well as the protection of scientific, technical and technological information from unsanctioned-balanced, use and impact.

Referring to the description of connections in a model set of national interests that exist between the components are necessary to note their mobility and ability to transform in time. Consequently, the national interest - a concept quite stable, but the ability to transform in the end. Changes subjected to so-called "periphery", that means as an economic, environmental, political, scientific, technical, social, spiritual and cultural components of the SOI model. In this economic component, the most mobile, since it is responsible for the integration of countries into the world economy, while the state of the component in national security the most static, conservative and undergoes changes only due to radical changes in the society.

Although the mobile communication between the components of the national interest, when the critical load level is a decoupling, resulting in deformation of the national structure interest, because of which he either becomes a new quality or degraded with community-subject.

It should be noted that the economic interests of the company formed a set of values the views of the individual and the state in the area of economic activity. Such as employment of the working population, a fair distribution of income, social security for all groups of the population, access to education and health care, increase the length of a person active life, extensive use of achievements for the benefit of the people. The fight against poverty as a social phenomenon, the agreement in the distribution and use of natural resources as a national heritage.

Conclusion

The economic interests of the state as an economic entity includes a set of solutions to ensure economic independence and sustainable development of the economy based on a wide use of achievements of scientific and technological progress to ensure the welfare of the population. At the present stage of history, the interests of the individual, society and state in the spatial-geographical terms with the development of international relations take the form of national government that should represent the interests of the population. With the globalization of economic activity of the state's interests, extend beyond geographical boundaries, because the exchange of goods, services and capital is becoming a factor of influence on the national economy. On this basis, each country creates its own foreign policy.

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Emerging Trends of Mutual Fund Industry in India

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ABSTRACT

Mutual fund is a financial institution that invests collectively on behalf of many investors. Thus mutual fund is a form of collective investment institution. For many reasons individual investor may not directly involved in scientific methods of investment. Scientific method of investment involves the analysis of trends, adopting investment mix, development of funds and considering various parameters. The present paper has been confined to mutual fund industry, its growth under present condition of liberalization, deregulation and globalization.

Keywords : Mutual fund, steady returns, investment, institution, corporate securities, savings, public sector, private sector, open-ended, close-ended, off-shore, leverage

Mutual Fund is a financial service organization that receives money from the public at large, invests the same, earns returns on it, attempts to make it grow and agrees to pay the share holder cash on demand for the current value of his investment. It is an investment vehicle for retail investors who want to pool their savings in diversified portfolios of securities with an intension to earn higher returns and are ready to take same risk in capital market. The mutual funds have investment managers that manage the pool of funds in such a way that the risks are minimized and higher steady returns as ensured. In India the first mutual fund was started in 1964 with the establishment of Unit Trust of India.

Mutual fund is an investment vehicle in investing their savings in diversified portfolio with an aim to enjoy their appreciated values. Mutual fund is a financial service organization that receives money and invests the same in diversified portfolio. Mutual fund may be defined as "A financial service organization that receives money, invests the same, earns returns on it, attempts to grow and agrees to pay the shareholders cash on demand for the current value of his investment." As defined by Securities and Exchange Board of India (SEBI) "Mutual fund is a fund established in the form of a trust to raise monies through the sale of units to the public or a section of the public under one or more schemes for investing in securities including money market instruments." From the above definitions it is quite clear that mutual fund :

- (1) is a financial service organization
- (2) pools savings of retail / individuals
- (3) is a special type of institution
- (4) acts as an investment intermediary
- (5) channelizes savings to corporate securities

TYPES OF MUTUAL FUNDS

The types of mutual fund depend upon different basis for example, on the basis of ownership there can be a public sector mutual fund and a private sector mutual fund while on the basis of location there can be domestic and off-shore funds. The various mutual funds may be classified under five broad categories :

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- (1) According to ownership
- (2) According to scheme of operation
- (3) According to location
- (4) According to portfolio
- (5) According to basis other than above

(1) According to ownership

According to ownership, mutual funds in India are of two types :

A. Public sector mutual funds – The mutual funds that started operation in India for the first time was the public sector mutual funds that started its operation in 1963-64 by the UTI. This monopoly of UTI was broken only after 23 years when SBI mutual started its operation in November 1987.

B. Private sector mutual funds – It was only in 1992 that the private sector was allowed to join the India mutual fund industry. SEBI was entrusted with the task of regulating the mutual fund industry. In 1996, SEBI gave its regulations for all the business entities carrying mutual fund industry in India.

(2) According to operations

This is the most important basis on which various types of mutual funds can be given. They are

A. Open-ended funds – A scheme of mutual funds which offers units for sale without specifying any duration of redemption is called open-ended scheme. This means an entry in end exit from the scheme is not time bound. In this way, they provide more liquidity to the investors. As the investors can directly purchase and sell units under open-ended schemes, these are not listed. Some examples of open-ended schemes are – Unit Scheme 64, ULIP Dhanraksha etc.

B. Closed-ended funds – A scheme of mutual fund in which the period of maturity of scheme is specifically mentioned is called closed-ended scheme. When once the initial issue is closed a person can buy or sell its units at the price in the secondary market (stock exchange) where they are listed.

C. Interval schemes – A scheme of mutual fund which is kept open for a specific interval and after that it operates as a closed scheme is called interval scheme. These have the advantages of open as well as closed-ended schemes and have been allowed by SEBI only recently.

(3) According to locations

Mutual funds can be of two types if location is taken as the basis to classify them. They are -

A. Domestic funds – The scheme that mobilize savings of people in a country where investments are made are called domestic funds.

B. Off-shore funds – When mutual funds mobilize funds in countries other than where investments are to be made are called off-shore funds. All these funds that attract foreign savings for investments in India come in this category.

(4) According to portfolio -

There are many types of funds if we take portfolio or objectives to be the basis for classification. The important funds are –

- A. Growth funds
- B. Balanced funds
- C. Income funds
- D. Bond funds
- E. Taxation funds
- F. Money market mutual funds
- G. Stock or equity funds
- H. Leverage funds
- I. Specific funds

Other types -

Along with the various types of funds discussed there are a few other types of funds like

- A. Loan funds
- B. Non-loan funds

MUTUAL FUNDS IN INDIA

Although mutual funds first started in England in the 19th century, they were of speculative nature and therefore were unsuccessful. Later after World war – II, mutual fund expanded rapidly in USA. However it was only in 1964, that the first mutual fund was started when UTI was established to mop up savings of small investors and channelize them into productive avenues of the industry. This was a public sector mutual fund that brought out schemes for all kinds of investors who preferred safe and steady returns and those who prefer high growth with some risk. In 1987, Government of India amended Banking Regulation Act to enable commercial banks to launch mutual funds in India. Since then a number of commercial banks started their mutual funds. A few important mutual funds in India are as below –

S.	Name of Fund	Promoters	Year of Launch
1.	UTI-64	Unit Trust of India	1964
2.	CAN Bank Mutual Fund (A) CAN Stock (B) CAN Share	Canara Bank	1987
3.	SBI Mutual Fund (A) Magnum Regular Income (B) Magnum Monthly Income (C) Magnum Tax Saving	State Bank of India	1987 Onwards

4.	Indian Bank Mutual Fund (A) Swaran Pushap (B) Indian Ratna (C) Indian-88 A (Tax Saving) (D) Indian Jyoti (Closed-ended) (E) Swaran Jyoti (Regular Income)	Indian Bank	1980 Onwards
5.	PNB Mutual Fund (A) PNB Regular Income +	Punjab National Bank	1990
6.	Rising Monthly Income	Bank of India	1988
7.	LIC Mutual Fund (A) Dhanraksha (B) Dhanvridhi (C) Dhanvidya (D) Dhanshree (Closed-ended) (E) Dhan (Tax Saver)	Life Insurance Corporation of India	1989
8.	GIC Mutual Fund (A) GIC Safe (B) GIC Rise	General Insurance Company	1990

DEVELOPMENTS IN THE CAPITAL MARKETS

In 2015-16 resource mobilization through the public and right issues has surged rapidly as compared to 2014-15. During 2015-16 (April – December) 71 companies have accessed the capital market and raised Rs. 51311.00 crore compared to Rs. 11581.00 crore raised through 61 issues during the corresponding period of 2014-15. Resources mobilized by mutual funds during April-December 2015 also increased substantially to Rs. 161696.00 crore from Rs. 87942.00 crore mobilized during the same period of the previous year. Table-1 provides a picture of resource mobilization in the primary market.

	2013-14	2014-15	2014-15	2015-16		
			April -	April - December		
Debt	42383	9713	7348	30421		
Equity	13269	9789	4233	20890		
Of which IPO	1236	3039	1420	12259		
Private placement of corporate bonds	276054	404137	269245	341420		

Table-1 : Resource mobiliz	zation in the primar	ry market	(Rs. Crore)

Source : SEBI

Note : IPO stands for Initial Public Offering

SECONDARY MARKET

During 2015-16 so far, the Indian securities market has remained subdued. The Bombay Stock Exchange (BSE) sensex declined by 8.5% (up to 05-Jan-2016) over end March-2015, mainly on account of turmoil in global equity markets in Aug-2015 slowdown in China and its currency devaluation and slump in

stocks. On 04-Jan-2016, weak Chinese manufacturing data again led to a global sell-off which caused the BSE sensex also to decline by 538 points (2.1%). The downward trend in the Indian stock market was also guided by mixed corporate earnings for Q1 and Q2 of 2015-16. FPIs concern over minimum alternative tax (MAT), weakening of the rupee against the US dollar, investor concern over delay in passage of the Goods and Service Tax (GST) bill, uncertainty over interest rates by US Fed and selling by FPIs. However, the Indian equity market has been relatively resilient during this period compared to the other EMEs. The Indian stock market withstood the US Fed increased in interest rates in Dec-2015.

In spite of the amazing growth showed in various tables, there are various shortcomings and problems faced by mutual fund industry in India. The important ones are given below –

- (1) Lack of innovation
- (2) Conventional
- (3) Performance not guaranteed
- (4) Lack of rural sector base
- (5) Delay in service
- (6) Poor risk management
- (7) Inadequate research
- (8) Lack of liquidity
- (9) Inadequate disclosures

CONCLUSION

On the basis of the above discussions it can be rightly concluded that mutual fund industry has witnessed magnanimous growth in terms of quantum of investments made, number of schemes available for investors in market, assets under management of mutual funds and resource mobilization. With e-governance and SEBI's regulations, efforts to educate and protect investors' interests has also increased yet if this growth and development of mutual funds is compared to developed economies like USA, UK or Australia, it seems that in India mutual funds growth and development has to go a long way, and it is just at the adolescent stage yet.

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The Program of Marketing Impact Strategy for Profit Companies Case of Ferghana Region

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ABSTRACT

In article the mathematical model of influence of the basic marketing factors on enterprise profit is developed based on the analysis of materials of the financial and economic reporting, cards of marketing processes, reports on work of department of marketing, standards of the enterprise for system of quality in the field of marketing, plans of marketing activity, etc. The following is carried to the most significant factors: a share of economic division in the market, rates of increase of industry, costs for enhancement of quality of goods, the investment into innovative activity, degree of differentiation of assortment, degree of vertical integration at goods distribution. The model is used for development of effective marketing strategies by their optimization with simplex method use.

Keywords: Market share, innovation, commodity differentiation, marketing strategies, profit, goods, rates, vertical integration.

Introduction

Sustainable socio-economic development of the region and its integration into the national and global economy by substantially increasing its competitiveness is a key issue in the implementation of the region's interests in all areas of activity. One of the promising areas, especially important during the period of economic, political and social transformation, is the widespread use of marketing principles in the complex system of regional governance (Abdukarimov B.A, 2013).

Today, in the regions, as well as in Uzbekistan as a whole, the current economic conditions that require the formation of organizational schemes and mechanisms of regional economic management based on the principles of marketing. The first step is a highly competitive economy, focused on customer satisfaction, without this marketing-oriented approach to the management of the regional economies in the region, as the new management philosophy is not claimed. As an instrument of regulation of market relations, and reflecting the specifics and peculiarities of the region, regional marketing is intended to implement the idea of positioning and the subsequent promotion of the region at the interregional level(Ames, Brown, Devarajan, Izquierdo, & others, 2001; Ghatak, 2003).

Theoretical study

Although formed the theoretical and methodological basis of formation of economic governance mechanisms in region and the existing experience of its use in Fergana region, some of its aspects require significant rethinking and development in practice. Much of this relates to the improvement of marketing-oriented management of the economy of the region.

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The formation of optimal economical governing of the region gives opportunity:

- to create a positive image of the region, to ensure its attractiveness from the point of foreign and domestic investors;
- more efficient use of internal potentiality in region through trusting in government as the main carrier of positive shape of the region;
- develop and implement a coherent strategy for socio-economic development of the region.

It is necessary to deepen the theoretical generalizations and further development of techniques in the field of development of marketing-oriented mechanisms and institutional economic management schemes in the region using foreign and domestic experience in this sphere (Montiel, 2011).

Marketing is a new functional area at industrial enterprises of the Republic of Uzbekistan. Although the fact that marketing departments have emerged and functioning in enterprises of Uzbekistan for more than 20 years, there are still some organizational problems, which indicate staffs of marketing departments and scientists-researchers of this problem also.

Whatever, the role of scientifically based marketing strategies in industry of the Republic of Uzbekistan is currently difficult to overstate. This is due to several reasons: the need to improve the functioning of domestic enterprises in market economy, using differentiated marketing strategies for the enterprises, the requirements of the expansion or diversification of markets for products of industrial enterprises. Strategic planning in marketing requires the entire system of global commodity production associated with the phenomena of globalization of the economy, reducing the duration of the life cycles of products, continuously improve the relevance of information services, increased competition, and other trends of global economy of the XXI century(Brabham, 2009; Gürgen, 1999).

In turn, this fact forces enterprises to be carefully analyze the needs of customers, predict the actions of competitors, to develop flexible product and pricing policies to optimize the share of the market, the pace of development, the system of promotion and distribution of goods in the market.

Currently marketing strategies in economically developed countries are devised in not only micro level and individual industries, but also special institutions, for example, "The Institute of Strategic Planning" US [1, p. 76]. The experience of the integrated planning strategies haven't in macro level in Uzbekistan.

Therefore, for the purpose of qualitative analysis and quantitative assessment of the level of organization of marketing activities on the national industrial enterprises, to identify the main factors that determine the effectiveness of the implementation of marketing activities, develop optimal marketing strategies in Fergana region corresponding marketing studies in 24 industrial enterprises of different ownership forms carried out.

The starting materials for the research were the data of financial and economic activity of enterprises, schemes of organizational structure of enterprises, the provisions on marketing structures, marketing and other structural units with the function of marketing departments, reporting schedules, responsibility matrix, systems of marketing processes, reports of marketing structures activities, standards companies on quality systems, plans for marketing activity(Calhoun, 2013,).

To select the relevant model factors conducted a factor analysis with the calculation of the correlation matrix. According to the execution of the analysis, the most significant variables affecting the profit is share which occupied by the trademark division of the market and the degree of vertical integration in the

Case analyses

However, all the factors are significant and recommended for inclusion in multiplication model. The lowest impact on the profit for the conditions of the experiment has had innovation activities. This is obviously due to the lack of attention to technological development leading by enterprises. In reality, the economy of the Fergana region is still in beginning stage in using results of technological upgrading of enterprises, in terms of equipment renovation, and product upgrading.

As a final result obtained by multiple regression equation with correlation coefficient R=0,97

Y=0,05X1+0,14X2+0,01X3+0,002X4+0,12X5-1,29X6-0,13(1.1)

where X_1 - the share of strategic business units in the market in relation to competitors, %;

X₂ - the annual rate of market development, %;

X₃ - the annual cost to improve the quality of products, million sums;

X₄ - investment in innovation activities, million sums.

X₅ - indicator of differentiation product range, the number of positions;

X₆ - the degree of vertical integration in the distribution of goods, the number of positions;

Y- million sums of profit enterprise.

The resulting equation (1.1) can be used as an objective of the target function in optimization of marketing strategies in order to maximize their profits. The further is given an example of optimizing marketing strategy decisions made using the simplex method.

Example of calculation. Coverage in the base period for the enterprise market was 10%, the annual rate of growth of the market - 2%. Expenditure on improving product quality - 50 million sums and on innovational activities are not planned. The number of marketed products assortment of goods - 5. Product realization made through direct marketing.

In planning period due to expansion of the range of possible increase in market share of 5%, with maximum market growth rate (as predicted) is not more than 4%.

According to the business plan, the expense of improving the quality of the product is planning to keep at a level, on the base period. Total expenditure on improvement of the quality and technical level of goods possible at the level of not more than 350 million. sums. Number of stock-keeping units may be increased for three units. The number of intermediaries in distribution of goods in market - no more than three.

In research results, we took the optimal marketing strategy based on maximizing the profits of the enterprise.

The solution we get the best result, maximizes profit, specially: market share units should be increased from 10% to 15%, the market growth rate - up to 4%, the cost of improving the product quality remains the same, investment in innovation will make 300 million. sums, differentiation of the ranges can reach 8 items, the sale will be carried out with the direct marketing. At the same time, profits of the enterprise on strategic business units will increase from 1.75 billion. sums to 3.24 billion. Economic effect from realization of program will amount to 1.49 billion. sums.

Obviously, for the analysis of possible marketing strategies and their choice of the most appropriate versions needed baseline data across a number of companies in the region and their subsequent integration of the industry. Therefore, solutions for the work of posed problem proposed to carry out at regional marketing centers level.

In Uzbekistan, the marketing activities of enterprises is supported by the Informational State unitary enterprise "National Centre for Marketing and Price Study" of the Republic of Uzbekistan, known in information services market since 1997 (Berthon, Pitt, Plangger, & Shapiro, 2012; Della Corte, del Gaudio, & Lavazzi, 2013).

Center services not only in domestic market of information services, but have a competitiveness in CIS countries, Europe, Asia and America.

Structural policy of the sector in Uzbekistan.

Clients of Marketing Center is enterprises of the Republic of Uzbekistan, as well as some organizations and companies of foreign countries also. The permanent Center partners are foreign information and marketing companies, centers for export and investment promotion; organizations of foreign trade, agencies and chambers of commerce which support small businesses.

The Center provides information and marketing services that are focused on specific practical problems of customers and provide business development of client companies as a whole, specially:

- Study the situation on the market with an indication of capacity, price levels, the major development trends;
- Market research consumer products and services with an indication of the capacity of consumption, the definition of consumer preferences, target groups of consumers, as well as behavior motives of consumer (using questionnaires);
- Competitive analysis with the definition of the list of the main manufacturers and suppliers of similar products available on the country in which market research provided, characterizing and analyzing the level of wholesale and retail prices;
- Search companies, manufacturers and suppliers of products and services on the territory of the Republic of Uzbekistan and foreign countries, the description of the proposed range and their prices;
- Search of business partners and customers with their address and other contact details, description
 of the company, a list of products, as well as other information about the possibilities of the
 companies;
- Audit of retail trade (Retail Audit) with information about the range of products presented in retail trade and the level of its prices, about famous trade brands;
- Analysis of statistical information on world trade, foreign trade of the Republic of Uzbekistan and other countries of export and import in value and volume terms;
- Testing of the brand with the definition of awareness and brand attitude, product knowledge, as well as associations with respect to the brand (focus groups, depth interviews, surveys);
- International Marketing;
- Activities in the field of research, trading and sales of the enterprise;

- Development of recommendations to stimulate sales in domestic and foreign markets, to increase the competitiveness of the customer's products, as well as the improvement of the production program, sales and marketing policies.

Conclusion

To develop recommendations to improve the organization of marketing and ensure the rational interaction of the enterprises of the Fergana region with the Center of marketing studied the adoption of system solutions for the development opportunities of effective marketing strategies based on specific market research.

However, with all the services provided, the center does not offer a system of decision-making when selecting the optimal marketing strategy with options for its implementation, the transformation or replacement, subject to the conditions of the maximization of profit in the enterprise.

Therefore, we offer to give more privileges in order to provide development services by the center to optimize the use of enterprise strategy in marketing activities at the level of regional centers to implement developed and tested on practical impact of the program materials marketing strategies to profit in all sphere of enterprises.

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Foreign Experience in Support of Scientific Research

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ABSTRACT

This article describes the support of research work in the education system. Describes the institutions for supporting research activity in developed countries, including Germany and the UK. Special attention is paid to the study of international experience on creation of mechanisms of state support in this area. The author analyzes the main directions of state policy to support young scientists in the developed world.

Keywords: State Policy of Support of Young Scientific Personnel, Mechanisms to Support Research, Research and Development, Education System of Foreign Countries, Support Research.

Introduction

During the years of independence, works that are more notable have been done for preparation of qualified staff in the system of education according the demands of our economy. Improving the system of education, to organize the management of educational institutions in modern style is valuable in preparation of qualified specialists. Speaking on actuality of management activity, president of the Republic of Uzbekistan Shavkat Mirziyoyev gave the following opinion: "To organize our work correctly, to improve its effectiveness and to raise the management to modern grade according its activity is a demand of our life" [1]. The most important, in our Republic system of higher education, is studying of the reforms, which are carried out in our country, summing up of achievements for ensuring qualitative efficiency of scientific research. President Shavkat Mirziyoyev has signed a number of decrees aimed at the development of science management system in Uzbekistan, as well as the perfection of the structure and activities of the Academy of Sciences.

It was kick started as the improvement in the performance of the Academy of Sciences, followed by the establishment of a state commission and agency for science and technology as well as a foundation to support and advance scientific and technological activities (Abdukarimov B.A, 2013).

In accordance with the Decree, the State Commission for Science and Technology headed by the Prime Minister of the Republic of Uzbekistan has been set up, tasked with elaborating and introducing for consideration an integrated government policy in the field of scientific and technical activity, in the identification of priority directions for innovation programs(Hirsch et al., 2010).

As the working body of the Commission, the Agency for Science and Technology of the Republic of Uzbekistan is being established based on the terminated Coordinating Committee for Science and Technology Development under the Cabinet of Ministers. The agency is entrusted with forming a government mission for the provision of scientific and technical services in terms of the implementation of fundamental, applied and innovative research for sectors of the economy and social sphere(Malyi et al., 2015; Medlin, Cave, & Carpentier, 1971; Ness & Lin, 2015).

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These measures will contribute to elevate the organization system of scientific research activities to a new level, which will consolidate the existing intellectual potential, eliminate narrow subjects and inefficient themes of research, as well as avoid duplication.

Another important issue to be resolved by this decree is the creation of Fund for support and development of scientific and technological activities in the form of a legal entity under the State Committee for Science and Technology.

Academy of Sciences Gains Momentum

The Decree on measures to further improve the activity of the Academy of Sciences, the organization, management and financing of research activities, signed by the President of the country, defines the main goals and priorities of its activity on the basis of modern requirements. In addition, to further bolster up the research infrastructure as part of the Academy of Sciences it is created a number of research institutions, as well as individual institutions will be back in its management. These measures will allow carrying out wide-range studies, concentrating the available scientific potential in various fields of science and forwarding it to the solution of actual problems of the socio-economic sphere (Hasanova, 2016; Malyi et al., 2015; Nazarova, Saidkarimova, & Obloqulova, 2015).

The document focuses on the further betterment of the organizational structure of the Academy of Sciences via forming of branches of physical and mathematical and technical, chemical and biological, social and human sciences in it, as well as the creation of a new department of Navoi. This will allow for providing the systemic coordination of scientific researches in these areas, and will contribute to the efficient use of capacities of academic science in the comprehensive advancement of the Navoi region's industry.

In addition, equating the chairmen's status of Karakalpakstan and Navoi departments of the Academy of Sciences, as well as the Khorezm Academy of Mamun with the status of vice-president of the Academy of Sciences is a clear confirmation of the importance for the revival of the potential and status enhancement of the science in the regions (Perraton, 2004; Silova, Johnson, & Heyneman, 2007).

A number of institutions were returned to the structure of the Academy of Sciences that were previously transferred to the system of institutions of the Ministry of Higher and Secondary Special Education. Thus, under the Academy there will be created the Vladimir Romanovsky Institute of Mathematics, the Institute of Nuclear Physics, the Institute of Ion-plasma and Laser Technologies named after U. Arifov, among others.

In the Decree, special significance was also placed on the promotion of effective science. To this end, the government is to create a fund of material incentives for scientific workers of the Academy of Sciences who have achieved considerable results in scientific research.

Back to the Two-Level System

Less than four years ago Uzbekistan abandoned a two-tier system for training scientific and scientificpedagogical specialists, but a recent decision envisages its return, admittedly with new notions and rules.

It follows from the 16 February Decree of the President of the country, which stresses that the pace of socio-economic development of Uzbekistan necessitates rethinking of experience accumulated as part of single-stage system of postgraduate education, taking into consideration the best practices of some foreign countries in this sphere.
From July 1 this year, Uzbekistan will introduce a two-level system of postgraduate education. The new scheme is to include basic doctorate (with defending of a dissertation and conferment of the degree of Doctor of Philosophy, PhD, in various branches of sciences) and doctorate (with defending of a dissertation and conferment of the degree of Doctor of Science, ScD).

In accordance with the Decree, the PhD degree can be awarded to individuals who have a master's degree or higher education (a degree program) or have completed clinical residency (for medical sciences), and have defended the thesis. ScD degree will be awarded to individuals who have a degree of candidate of science or a PhD, or other equivalent degrees obtained in foreign countries, and have defended the thesis(Weidman & Yoder, 2010).

To the basic doctoral candidacy, institution it shall be accepted the persons who have a master's degree or higher education or completed clinical studies (residency), and a doctorate - persons with a degree of candidate of science or PhD or other equivalent degrees obtained abroad.

Persons who have attained aforementioned degrees and were assigned as an independent researcher shall also be permitted to defend doctoral theses for the degree of PhD and ScD.

Another Decree of the head of state was dedicated to the creation of the eponymous Center on the basis of the current Genomics and Bioinformatics Center of the Academy of Sciences in the form of a government institution, as well as the approval of the program of measures for the advancement of this field in 2017-2020.

The activity of the center will be based on the program of measures for the development of fundamental and applied researches, as well as innovative works in the field of genomics and bioinformatics, bolstering scientific potential and material-technical base for the conduct of relevant researches for the period 2017-2020.

It is also planned to equip the center with modern scientific, technological and laboratory equipment, reagents and consumables required for scientific researches.

Scientific center employees will regularly participate in international conferences and seminars with the aim of further training and learning of scientific knowledge and technologies, and four young specialists will be sent annually to the six-month training at leading US research laboratories.

At the same time, our main aim is the elimination of the allowed shortcomings, the preparation of the professionals, which are according the international educational requirements and the raising of scientific potential level. It is necessary for implementation of it, having studied experience of the developed and developing foreign countries, to conduct scientific research, proceeding from our state educational standards, to provide their quality and efficiency (Wilson, 2004).

At the same time, it is possible to propose a certain conclusion on studying of foreign experience in area of further developing science, education and production cooperation. For example, Germany is one of the states of Europe, which is as economically developed as develops in the research sphere. The universities and research institutions of Germany take special place in universities world rating.

As the employee of the Training and Science Federal Ministry of Germany, the professor, Doctor Annette Schavan noted in the opening speech of scientific research book, "Questions of climate change, on demographic development and migration are among global problems of the 21st century. We will resolve the

matters only through the cooperation in the fields of education, researches and science at the European and world level "[2]. Germany uses the research and innovative potential for the solution of the questions which are global problems, connected with climate, resources, health, safety and migration. Training of young scientists at the international level strengthens researchers` international cooperation of Germany, in particular the European scientists. The international scientific projects, Germany scientific infrastructures of the international level have to create to the German researcher's many opportunities and allow to establish scientific cooperation with other states [3].

When carrying out research works in Germany, there is a number of doctor's programs. One of them "DAAD: International Bachelor, Master and Doctoral Programs in Germany". Through this program is recommended not only training, and writing of scientific works on the doctor's program for young scientists. Because the plan of training in the program gained the international character, applicants some time study abroad or foreign professors-teachers are invited to educational process. The invited lecturers, professors are not limited only to reading, and as the research supervisor give consultations to doctoral candidates, work together with them.

At the same time through this database it is possible to learn about more than one thousand educational programs in Germany. The information about all the state and recognized by the state higher educational institutions of the country, about types of education, starting with initial the highest education, to doctor's education level, information on types of doctor's education and international treaties of cooperation is provided in the HRK Higher Education Compass (Hochsculkompass) database.

The third cycle of the higher education, i.e. the type after a bachelor and a magistracy degree courses is called Promotion. This type of education unites writing of the thesis (scientific research), oral examination (rigorosum) or protection of work. The research supervisor (Doktorvater/Doktormutter) is elected by the researcher for scientific dissertation work which will be written[4].

FOREIGN EXPERIENCE IN SUPPORT OF SCIENTIFIC RESEARCH

In order to implement foreign experience paper investigates the German Research Fund (DFG) is the central socially financed organization for the academic researchers at public and scientific institutes with universities in Germany. And also, he finances also scientific research activity of foreign scientists and researchers in Germany. For example, allocates scientific grants for financing of scientific projects(Silova & Steiner-Khamsi, 2008).

One of the financing funds for research work in Germany is Aleksandervon Humboldt (AvH), which supports the end of long-term scientific projects of highest level post-doctoral candidates (the scientists and researchers having academic statuses) with their arrival in a business trip in Germany[5].

In Germany, the special Internet portal of the Ministry of Education and Research works for conducting scientific works. Its activity is inseparably linked with DAAD. The purpose is involvement of foreign scientists and researchers to scientific activity in Germany. And also, it distributes primary information on scientific financing. Gives a practical advice to scientists, arriving to Germany. Users can subscribe also for the bulletin, which is printed once each two months.

The articles and interviews about the international scientific cooperation, financing resources are regularly published in it. The separate database for young researchers, skilled scientists with applicants of PhD, post-doctoral candidates on achievements in the field of science is introduced.

The next project concerning the scientific work is called as EURAXESS Germany – Germany for Researchers. In Germany, the national coordination point, in Gumbolt's fund, is responsible for this department of the European EURAXESS project. EURAXESS Germany gives to researcher's scientists of consultation and informs them on resources of receiving funds for scientific research, the invitation to work, social protection and others. And also, serves for ensuring cooperation of scientists on Europe. In Germany at colleges of postgraduate studies (Graduietenkolleg) exist also a public postgraduate study. These colleges are created by universities for support of young researchers and they help young scientists with inclusion of the theses in the general program of research works. Research team keeps the program and often it is directed to inter scientific research. Training programs in college assistants in filling of individual scientific projects also give the chance of scientific exchange among them.

And the society of the international scientific research schools of Max Planck set as the purpose the training as a result of direct negotiations with research supervisors for protection of doctoral dissertations of applicants from Germany and abroad in prestigious scientific centers of Germany, at the highest academic level. DAAD is considered the special program of Germany for education and scientific research. Through the program there is an opportunity to get an education from a bachelor degree to a doctorate. And also, there is a possibility of conducting research works and for having various scientific ranks and degrees.

Generally, Germany is the place of the science ideas. Ample opportunities for exchange of experience with scientists, studying of achievements of science, training for obtaining the scientific PhD level, receiving scientific degree are also created.

The Great Britain considerably improved the place at the level of the world economy. The policy pursued in science and technology is a component of system of public administration, and the private sector considers scientific and technical policy the main factor of the economic strategy. Great Britain, along with the USA was one of the leading forces of industrial revolution, in this country primary stage of a scientific and technological revolution quickly developed. Here the largest is created in the world scientific and technical potential. Long time Great Britain took the leading place among countries of Western Europe on research activity. By estimates of the American experts scientists of England for the last 25 years gave to the world of the innovations twice bigger, than scientific America. However, the industry of America used research, developmental works in 6 times more, than the industry of England. And it, in turn, led to strengthening of attention to change of scientific and technical policy in Great Britain, revision of methods on management of economy in the state.

Great Britain enters in a row of the countries, which in a national gross product (GDP) spend much for research effort works. In Great Britain, expenses on research developmental works exceed 7 billion dollars. These expenses made 2,4% of GDP (in the USA - 2,9%, Japan - 2,3%, Germany - 2,7%, France - 2,4%). If to subtract military expenses, then other expenses made 18% (in Japan - 2,3%, Germany - 2,6%, the USA - 1,9%, France of-1,8%). A source of financing of research developmental works is the state. At the expense of means of the state, the research budget of the scientific research centers, universities of the branch ministries is formed. Private firms finance the works, which are carried out in the laboratories.

England reached the important achievements on developments in the field of electronic medicine, the control and measuring equipment, pharmaceutical production, pesticides, genetic engineering, optical electronics, and environmental protection. The performance of the research developmental works (RDW) on sectors looks as follows: government laboratories – 16%, higher educational institutions – 14%, private firms, research corporations, laboratories and associations – 64% and other percent are various organizations. 6% of the research and development general expenses are spent on the basic researches (in the USA – 13%), 22% - on practice and 72% for developments. In a public sector, research and development are carried out to 65% fundamental researches and 22% applied ones. In the private industry 78% of applied researches and 90% of developments are conducted. The main volume of research and development is carried out to the industries of Great Britain in three branches, i.e. in electronic, chemical and space branches. 70% of the means which are carried out to the industries of the country of research and development are spent for these branches(Gilmore, Collin, & Townsend, 2007; Khalilov, 2014).

One of features of England is that the scientific capacity of the universities, conducting the basic researches in such spheres of science as mathematics, physics, astronomy, mechanics, biology, chemistry, etc. is very big. Universities of England are engaged in 90% of all research and development on researches (this indicator in the USA – 50%, Japan – 60%). England, in difference from countries of Western Europe, is not engaged in basic researches in parallel with industry problems. The bigger quantity of scientific and technical frames are in the electronic and electrotechnical industry, after – the chemical and space industry. Public policy of the state of England on research and development is based on encouragement of scientific research works of the fundamental direction.

Research structure, Case of Uzbekistan

The ministry, conducting research and development works, is acting as the customer for the state and private research laboratories. In the ministries, the special councils performing control and adjusting functions are created. Including:

- The definition of the research and development branches which are needing in the government help and considered target and effective from the point of view of the foreign competition industry and danger requirements;
- Development of the research and development target program which can mutually connect the ministry policy and its financial opportunities. Research councils from the Ministry of Education and Science are got by financial means for implementation of the specific projects. Thus, in Great Britain, there are two sources of financing of scientific research works. The means, arriving from the government budget on basic researches of means and arriving from the branch ministries on applied researches, developments. The focus of public policy on problems of the industry led to creation of consulting council for science and technology. This council consists of government, universities and private firms representatives. Besides, also the center of use of achievements of science and technology is created. The main objective of this center is to increase the efficiency of using the research and development results. The center is not connected directly with the government and universities and financing is carried out by consortium of the universities, the private industry('El "doctor-robot" Watson comienza a asesorar a los médicos', n.d.; Kotz, 2003).

An important role is played by the London Royal Society, which acts as national academy of Great Britain Sciences. In difference from other similar societies of foreign countries, Royal Society does not submit to the government and has the personal fund. Royal Society has 18 professorial departments located at universities and research establishments. Besides, society has special positions at about 185 universities. For the workers working at these positions funds are allocated. Such stimulation, as a rule, is given youth aged up to 33 years. Financial support of research and development is carried out only in those directions which interested the state. The government of Great Britain tries to narrow a circle of participation of the state in research and development, to intensify carrying out research and development in the private sectors, and (governments) to retain only those directions, which cannot be carried out in private firms (Akimov & Dollery, 2006).

One of the main features of Great Britain – widespread in Western Europe financing of research and development in the private sector. The government finances 20% of researches in the field of processing industry, covers a half of expenses of the electronic and space industry. In Great Britain, the universities are the organizations in the carrying-out 90% of basic researches (in the USA – 50%). Universities generally receive financial means at the state, have independence in performance of research and development (Khalilov, 2014).

Universities of England carry out three tasks: carrying out the basic researches; to be base for training of highly qualified specialists and scientific specialists; retraining of national economy experts. In recent years, as a result of reduction of the financial means allocated by the state, universities of Great Britain carry out a large number of basic and applied researches by request of public authorities and private firms.

Conclusion

Scientific and technical cooperation of universities with the industrial enterprises is conducted in different types. Industrial firms finance universities by the long-term goals. The most widespread cooperation is carried out by contracts between two parties for performance of research and development. And it in turn, strengthens the relations between industrial firms, gives the chance to firms to know the last achievements in the field of basic researches and to update subjects of Universities researches. It is possible to draw a conclusion, the practical efficiency of the research works, which are carried out by Germany and Great Britain (England), it matters for the scientific researches, which are carrying out now.

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Human Resource Development Practices and Employee Productivity in Banking Sector

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ABSTRACT

Over recent years there has been an increasing interest in the field of human resource management. Organizations should prefer to maximize wealth through maximizing their human capital. Currently, the literature encourages the consideration of human resources as strategic factors, not only because they play important role in strategy implementation, also because they are beginning to be reckoned as sources of sustainable competitive advantage. Relationships between human resource management and productivity have been studied from different perspectives. This study is an attempt to investigate the extent to which Commercial Banks of Karnataka differ on aspects of human resource management practices and the key Human Resource Practices contributing to employee productivity from a sample of 337 respondents from two commercial banks of Bangalore (one private sector and one public sector bank).

Key words: HR practices, Employee productivity, Private Sector Banks, Public Sector Banks

Introduction

"Change is the route through which future assault the present and hence, it is very much crucial to look at it closely for the successful coping by means of which would entail us to espouse a new stance and to develop a new insightful awareness to comprehend the role it plays on our lives. As far as the Indian banking scenario is concerned, all of us are to be aware, that the winds of change has radically changed the landscape as of what it used to be a few years ago. To comprehend the degree of change, conceivably one has to look quite a speck backwards.

In early nineties, two aspects have brought on radial changes in our Indian banking sector. Among which the first one is Liberalization which caused the second factor which is technology. In Indian Banking sector, interest rates were deregulated and the entry – exit norms were relaxed. In this connection, many new players entered the market. However, the second factor technology has enabled the new entrants to develop innovative and new products and services which were differentiating the existing ones. Most of all, it has provided a elevated proficient platform for the product and services delivery through networking of branches, internet banking, ATMs and even mobile banking.

In this connection, competition has been a buzzword for the Indian banking sector. In fact the public sector banks are finding very difficult in coping up with the change and challenges. However, they are gearing up themselves to meet up the same. Competition has unleashed new threats as well as new opportunities. In the road ahead, the key drivers will be innovation, technology and customers focus. (Ramalinga Reddy, 2010)

Nevertheless, technology itself is not the resolution to overcome the competition. Irrespective of the degree of automation, the '**man**' behind the mechanism is most significant. Hence, the need to optimize human resource arise and calls for re-engineering the Human Resources Development.

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"Given man a desert and he will make it a paradise at the same time given him a paradise he is equally capable to make it a desert". Hence a single man has power to do immensely well or cause severe damage either. The main purpose of Human Resource Department is to harness the positive work forces. Basically it is harnessing empowerment of people. Perhaps the Human Capital Development system is the most vital element in banks effectiveness which not only ensures current performance or productivity, but also long term growth and survival of the company.

Despite the fact that every other resource like capital, assets, technology and even additional finance too can be bought; but the only resource that cannot be brought is skilled and motivated human resources. These intellectual resources have to be developed and nurtured by managerial competencies. Banks should continuously ensure the effectiveness, competency, dynamism and motivation of human capital at a very high level. Human resource development should be a continuous process to ensure development of employee's efficiency and dynamism in a planned and systematic manner. Human resource development process has several objectives. I basically aim in edifying competencies through learning and development programs. However performance appraisal system is very much necessary to assess the degree of development of an employee, as well as to assess the contribution level towards accomplishment of the tasks assigned. One of the objectives of the HRD is to raise up their employees for future jobs and to chalk out an appropriate career path also for them (Ramalinga Reddy, 2010).

IMPORTANCE AND NEED OF THE STUDY

In early nineties, the word Liberalization has brought about a paradigm swing from a extremely regulated system to a deregulated regime. Opening up of the Banking sector has resulted in a significant increase in the number of private sector banks as well as foreign banks. No doubt reforms have the positive impact on the financial system. However, a little has been done in the area of human resources development in public sector banks to face the competition from private sector banks. The public sector banks have not made fuller utilization of available human potential and before that they have not given enough opportunities and support to enhance their individual and collective capabilities.

There is a sea change in the competition and management styles of banks today, especially in private and foreign banks compared to pre-reform days, freedom in recruitment of human resources, access to improved technology, freedom to create physical ambience in the banks, quick services to customers, innovative banking products etc., kept new generation banks on the forefront in the competition. The traditional methods that are followed in dealing with the human resources of public sector banks could not motivate them in the achievement of targets. Thus the public sector banks are at a disadvantageous position compared to foreign banks in many areas. The change in the global environment, deregulation and liberalization and the emergence of new forms of financial intermediation have major human resources implications. Employees - technology synergy in the changing environment and a paradigm shift in banking will necessitate working out strategies to make employees more productive. The statements and views of eminent people and experts in the area of banking and human resources management indicate that a new approach in the management of human resources are essential in banking sector in view of changing competitive environment. A review of available literature on human resources management indicate that there are lots of gap between what is existing and what is required in the management of human resources in banking sector. This induced the researcher to take up the present study mainly to fill up the gaps. Thus, the top management and the HRD practitioners at the organizational level and the bank employees at the

STATEMENT OF THE PROBLEM

The Drastic shift from scientific world to technological revolution triggered the organization as well as the employees. In order to sustain the challenges it is very important to have the employees engaged as the engaged employees will demonstrate an increased loyalty to the organization to reach the heights of excellence. It is high time for the organization to effectively utilize the human strengths by generation positive perception attitude among the employees through Human Resource Development Programs

LITERATURE REVIEW

According to T.V.Rao (1986) states that HRD is a process and not merely set of mechanisms and techniques. Some of the tools such as Training and Development, Performance appraisal, Performance counseling, Organizational Development are used to initiate, promote and facilitate the HRD process continuously by planning in a proper way, by allocating the resources in explicit way and by exemplifying HRD philosophy that values human beings and finally promote employee development. Rao opines that it is very much obvious for the top level management to understand that the employees are organizations vital resource. The HRD system should be properly integrated to the values of openness, trust, mutuality, collaboration and enthusiasm, so that this can contribute positively for cultural changes and increased productivity. Finally he concludes that all the above mentioned mechanisms are of no use if the employee is not been communicated regarding his strengths and weaknesses after a proper counseling process. Moorthy .K.N.(1994) highlighted on the basic purposes ir objective of HRM practices is to improve the productivity of the people working in the organization. This is possible only when the organization supports and assist the employees in achieving their personal goals. More. B.D (1997), suggested HRD instruments and few HRD models for the betterment functioning of HRD in police department. The researcher suggested the importance and need for periodic survey of HRD climate, updated Performance Appraisal System, periodic training to police personnel, central counseling system and well developed training information cell. He also suggested that all the respondents were unhappy with the compensation system and welfare facilities; therefore the need for re-engineering of compensation system arises. The researches stresses on a periodic one day workshops for all the policemen. Srinivas (1990), conducted a study in order to find out weak cooperative banks present in Andhra Pradesh in connection to the hurdles faced through organisational structure and correlating to other managerial problems. He concluded that the banks failed to perform efficiently as the organisation structure was not properly designed and finally that it did not satisfy the needs of the bank and the bank employees. The kenexa research institute conducted a research on employee engagement for over a five year time period and found that the organizations with engaged employees, their stock prices was five times higher than the organizations with disengaged employees. Many other researches too support this conclusions.

Recently, Gallup conducted a study on Employee Engagement in United States and finds that only 30% of people are engaged at work i.e only three employees out of ten. Of course, worldwide it's mostly worst. According to this study it is about only 13% of the employees are engaged worldwide. Even though employee engagement is so critical and a creamy sauce to massive business results, most of the employees is still not engaged at work. He terms it as engagement crisis. Bakker (2008), described that there are four causes why employees carry out better performance than other non-engaged employees.

Engaged workers usually undergo many positive sentiments, including happiness, delight and excitement; experience better health; generate their own job and personal assets; and convey their involvement to others. An objective-directed conduct is easy when employees are involved in their work because they have the will-power to encourage and take action. This helps them to attain better performance and also enlarge their chances for better career growth.

RESEARCH GAPS

The above study explored that there were enormous research work on Banks in India which were mainly from descriptive data and experience sharing. Very little systematic empirical research study was carried on in banking sector.

In spite of plethora of research works undergone on the subject HRD, research in banking sector in Indian context is not adequate. Literature on HRD in Banking sector in correlation to job satisfaction is extremely limited and can be viewed only in press releases and not as an empirical study. All most all the studies show a comparison between public sectors and private sectors, and it is very clearly known factor that there would be enormous difference due to difference in environment, span of control, difference in management styles and many more paradigm factors affecting their work life indeed affecting job satisfaction.

OBJECTIVES OF THE STUDY

The study has been undertaken with the following objective:

- To critically investigate and compare the HRD policies and practices between Public Sector Banks and Private Sector Banks.
- To study the impact of HRD policies and Practices on Employee Productivity in Public and Private Sector Banks.
- To Suggest policy measures to improve the employee productivity

HYPOTHESES:

H1: There is a significant difference in HRD practices followed in Private Sector Banks and Public Sector Banks.

H2: HRD Policies and Practices have a significant impact on employee productivity

Sample size:

For this research purpose two Public sector banks and two Private sector banks would be selected. The sample comprises of 337 Bank employees selected on random basis from branches and offices all over the State of Karnataka. Special care has been taken to get a good mix of employees in various categories, age groups and lengths of service, which help to make it a true representation of Universe.

Secondary Data:

The literatures were reviewed deeply to identify the gaps in them, with the help of secondary sources like Magazines, various books, Annual reports of the banks, Journals, research articles, Internet, Newspapers, manuals and files were collected at different offices, training centers / staff colleges of Bank

and libraries.

Primary Data

This is fulfilled by a structured questionnaire, which was prepared with consultation of excellent subject experts. In order to have unbiased responses the respondents name was optional. Face to face interview was taken with senior officials, a few clerical staff and in particular with AGMs, faculties of STCs

Questionnaire

The above process has been followed to make the response a true reflection of organizational reality rather than an individual's opinion. The 5 points of the scale indicated in the questionnaire are 1Strongly Disagree, 2-Disagree, 3-Undecided, 4-Agree and 5-Strongly Agree. Data collected in the form of responses has been thoroughly examined

Reliability test was also conducted to find the reliability of the questions of the variables. The Cronbach's alpha for 5 dimensions which are Performance Appraisal System, Training and Development, Reward and Recognition System and Employee Performance and Productivity, used to measure the constructs were 0.814, 0.771, 0.877 and 0.848 respectively with ' α ' for each score ranging between 0.771 (minimum) to 0.900 (maximum) indicating that the measures have acceptable internal consistency since they are just above Nunn ally's (1978) threshold of 0.65.

Validity Test

Reliability test alone wouldn't be sufficient to judge the instrument to be appropriate. Therefore, even Validity test is also required to validate the instrument used for the study. Zikmund defines validity as "the ability of a scale to measure what intended to be measured".

STATISTICAL ANALYSIS

For data analysis, the questionnaire was divided into six dimensions of HRD practices

(Independent Variables):

- 1. Training and Development Programme
- 2. Performance Appraisal System
- 3. Reward and recognition System

In each dimension, data is compared with the **dependent variables** 1. Employee Productivity

Statistical Tools

1. Analysis of variance (ANOVA)

After calculating mean and standard deviation, one way ANOVA has been worked out to ascertain how the different groups in each parameter, differ or agree with each other in their observations on different aspects.

2. Regression Analysis

The main objective of this analysis is to find out the impact of all the Independent variables on the

Dependent variable. Here the dependent variable is Employee Performance and Productivity whereas the Independent variable HRD practices

Analysis of Variance (ANOVA)

ANOVA is developed by an evolutionary biologist and a statistician 'Ronald Fisher'. ANOVA is a statistical tool used to analyze the variations among the groups and between the groups. It is useful for testing three or more variables for statistical significance of confidence level. Conceptually it is very much similar to multiple two sample t-tests. For analyzing the first objective which is 'To critically investigate and compare the HRD policies and practices between Public Sector Banks and Private Sector Banks', in different dimensions and to prove the hypothesis the independent variable- HRD Practices is further divided as under:

Where Independent Variable- Human Resource Development Practices include:

A-Performance Appraisal System

B-Training and Development Techniques C- Reward and Recognition System

Dependent Variable: H- Employee Performance and Productivity

DATA ANALYSIS:

Table 1: Descriptive Statistics									
Performan	nce App	raisal Sys	tem						
			Std.	Std.	95% C Interval fo	onfidence r Mean		Maximu	
	N	Mean	Deviation	Error	Lower Bound	Upper Bound	Minimum	m	
Public Sector Banks	14 6	3.383 6	.64341	.05325	3.2783	3.4888	1.56	4.56	
Private Sector Banks	19 1	3.540 4	.64398	.04660	3.4485	3.6323	1.63	4.67	
Total	33 7	3.472 5	.64747	.03527	3.4031	3.5418	1.56	4.67	

Descriptive Statistics for Performance Appraisal System

Source: Computed from primary data

Table 2: ANOVA					
Performance Apprais	sal System	1		1	1
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.036	1	2.036	4.914	.027
Within Groups	138.823	335	.414		
Total	140.859	336			

Source: Computed from primary data



Statistical Inference:

F(1, 335) = 4.914 > 0.027; P=0.05, Hence H₀ is rejected

Theoretical Inference:

In view of the fact that a bipolar scale through a mid-value is used for confining the data, the range is assumed to be continuous scale and therefore, it yields for quantitative analysis. The Mean scores of public sector banks is 3.3836 with SD of .64341 and the mean scores of Private sector banks is 3.5404 with SD of .64747 for Performance Appraisal System.

The ANOVA table, as depicted above, shows the F value of 4.914 and the p value of .027, which is less than the benchmarked 5% or 0.05 propels us to reject the null hypothesis and accept the alternate hypothesis that both the banking sectors are not equal in terms of the satisfaction score and that there is a significant difference between selected private and public sector banks.

Training and Development Techniques

Table-3: Descriptive and Training and Development Techniques

Descriptives								
	N	Mean	Std. Deviatio	Std. Error	95% Interval f	Confidence for Mean	Minimum	Maximum
			n		Lower Bound	Upper Bound		
Public Sector Banks	146	3.7637	.42399	.03509	3.6943	3.8331	2.88	4.88
Private Sector Banks	191	3.8200	.54945	.03976	3.7416	3.8984	2.50	4.88
Total	337	3.7956	.49907	.02719	3.7421	3.8491	2.50	4.88

Source: Computed from primary data

Table 4: ANOVA	Table 4: ANOVA				
Training and Develop	ment Techniques				
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.263	1	.263	1.054	.305
Within Groups	83.427	335	.249		
Total	83.689	336			

Statistical Inference:

F(1, 335) = 1.054>0.305 ; P>0.05, Hence H₀ is accepted

Theoretical Inference:

The descriptive table shows the mean scores of public sector banks as 3.7637 with SD of .42399 and that of the Private sector banks as 3.8200 with SD of .54945 for Training and Development Techniques. The ANOVA table, depicts the F value of 1.054 and the p value of 0.305, which is undoubtedly more than the benchmarked 5% or 0.05 significance level. Hence the null hypothesis has to be accepted. However, practically speaking it is a fact that Training techniques are quite superior in Private sector banks and therefore, propelled to analyze further. In this connection an ANOVA test was conducted considering each bank individually.

Table 5: Descriptives								
Training and D	evelopmen	t Technique	s					
	N	Mean	Std.	Std.	95%	Confidence	Minimum	Maximum
			Deviation	Error	Interval fo	or Mean		
					Lower	Upper		
					Bound	Bound		
Canara Bank	77	3.7386	.42155	.04804	3.6430	3.8343	2.88	4.75
SBI	69	3.7917	.42803	.05153	3.6888	3.8945	3.00	4.88
ICICI	85	3.9132	.57704	.06259	3.7888	4.0377	2.50	4.75
Karnataka	106	3.7453	.51695	.05021	3.6457	3.8448	2.75	4.88
Bank Ltd							-	
Total	337	3.7956	.49907	.02719	3.7421	3.8491	2.50	4.88

Table 6: ANOVA for Training and Development Techniques					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.696	3	.565	2.295	.043
Within Groups	81.994	333	.246		
Total	83.689	336			



Source: Computed from primary data

Statistical Inference: F(1, 335) = 2.295 > 0.027; P(.043) < 0.05, Hence H_0 is rejected

Theoretical Inference:

The descriptive table shows the mean scores as 3.7386, 3.7917, 3.9132, and 3.7453 of Canara Bank, SBI, ICICI and Karnataka Bank Ltd respectively along with SD as .42155, .42803, .57704 and .51695 of Canara Bank, SBI, ICICI and Karnataka Bank Ltd respectively as depicted in the graph for Training and Development Techniques. The first mean plot shows that the mean value of ICICI bank is higher than the other banks.

The ANOVA table, depicts the F value of 2.295 and the p value of .043, which is undoubtedly less than the benchmarked 5% or 0.05 significance level. Hence the null hypothesis is rejected, concluding that there is a significant difference between all the banks among the Training and development techniques.

Table 7: Training and Development Tech			
Tukey B			
Bank	N	Subset for alpha = 0.05	
		1	2
Canara Bank	77	3.6905	
Karnataka Bank Ltd	92	3.7029	
SBI	69	3.7657	
ICICI	85		3.8098
Means for groups in homogeneous subsets			
a. Uses Harmonic Mean Sample Size = 79.8			

Source: Computed from primary data

The Tukey B test show that the two public sector banks and Karnataka Bank Ltd fall in one category and only ICICI fall in a different category; Hence forth there is no significance difference between public and private sector banks (as depected in table) as the perception of the Karnataka Bank Ltd employees on training and development techniques are very much similar to that of public sector banks.

Reward and Recognition System

	Descriptives							
Table 8: Reward	and Reco	ognition Syst	em					
	Ν	Mean	Std. Deviation	Std. Error	95% Co Interval	onfidence for Mean	Minimum	Maximum
					Lower Bound	Upper Bound		
Public Sector Banks	146	3.8659	.58343	.04828	3.7705	3.9614	2.00	5.00
Private Sector Banks	191	3.6467	.52702	.03813	3.5715	3.7219	1.86	4.73
Total	337	3.7417	.56195	.03061	3.6815	3.8019	1.86	5.00

ANOVA					
Table9: Reward and	Recognition System				
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.977	1	3.977	13.045	.000
Within Groups	102.128	335	.305		
Total	106.105	336			

Source: Computed from primary data

Statistical Inference:

F(1, 335) = 13.045>0.000 ; P<0.05, Hence H₀ is rejected

Theoretical Inference:

The descriptive table shows the mean scores of public sector banks as 3.8659 with SD of .58343 and that of the Private sector banks as 3.6467 with SD of .52702 for Reward and Recognition System. It is very much evident that the satisfaction level of the employees of Public sector bank is higher than compared to private sector banks.

The ANOVA table, depicts the F value of 13.045 and the p value of 0.000, which is undoubtedly less than the benchmarked 5% or 0.05 significance level. Hence the null hypothesis has to be rejected; which depicts that there is a significant difference of the reward and recognition system between Public and Private sector banks.

Descriptive Statistics Table 10: Employee Performance and Productivity Std. 95% Confidence Ν Mean Std. Minimum Maximum Deviation Error Interval for Mean Lower Upper Bound Bound Public 3.7481 .04357 3.8342 2.22 146 .52641 3.6620 4.89 Sector Banks Private 3.6934 .60488 .04377 3.6071 191 3.7798 2.11 4.43 Sector Banks 337 .57203 .03116 3.6558 3.7784 2.11 4.89 Total 3.7171

Employee Performance and Productivity

ANOVA

Table 11: Employee Performance and Productivity

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6.994	3	2.331	7.541	.000
Within Groups	102.951	333	.309		
Total	109.945	336			

Source: Computed from primary data

Statistical Inference:

F(1, 335) = 7.541 > 0.000; P<0.05, Hence H₀ is rejected

Theoretical Inference:

The descriptive table shows the mean scores of public sector banks as 3.7481 with SD of .52641and that of the Private sector banks as 3.6934 with SD of .60488 for employee performance and productivity statements. It is very much evident through the descriptive table that the satisfaction level of the employees of Public sector bank is higher than compared to Private sector banks.

The ANOVA table, depicts the F value of 7.541 and the p value of 0.000, which is less than the benchmarked 5% or 0.05 significance level. Hence the null hypothesis has to be rejected, accepting the alternative one that states that there is significant difference in Performance and productivity of the employees between Public sector banks and Private sector banks. However SBI's mean value is at a higher end in Employee performance level.

Satisfaction level of employees at private and public sector banks

Type of Technique: Since the dependent variable is continuous & the independent variable is categorical having two categories the type of test incorporated is T test.

Table 12: Group Statistics					
	Bank Type	N	Mean	Std. Deviation	Std. Error Mean
HRD Practices	Public Sector Banks	146	3.75	.526	.044
	Private Sector Banks	191	3.69	.605	.034

Group	Statistics
Oloup	olalisliss

	Table 13: Independent Samples Test									
		Levene's Test for Equality of Variances			t-test for Equality of Means					
		F	Sig.	t	df	Sig. (2- tailed)	Mean Difference	Std. Error Difference	95% Co Interval Differ	onfidence I of the ence
									Lower	Upper
HRD Practice	Equal variances assumed	6.993	.009	.869	335	.38	.055	.063	069	.178
	Equal variances not assumed			.885	329.358	.377	.055	.062	067	.176

Source: Computed from primary data

The p value of 0.009 is less than the benchmarked 0.05 propels us to go for the equality of variance assumption of T Test. The p value of 0.009 is less than the 0.05 propels us to reject the null hypothesis and accept alternative hypothesis that states Both the private sector and the public sector banks are not equal in terms of the Total Satisfaction Score and there is significant difference between the two categories of banks. So our prioritization of the dimensions holds good for both the private as well as the public sectors as a standardized process,

Impact of HRD Practices on Employee Performance and Productivity

The main objective of this analysis is to find out the impact of all the Independent variables on the Dependent variable. Here the dependent variable is Employee Performance and Productivity where as the Independent variable HRD practices are analyzed taking each of the HRD Practices separately, as follows:

- A-Performance Appraisal System
- B-Training and Development Techniques
- C- Reward and Recognition System

Regression Analysis for Performance Appraisal System

Table 14: Model Summary					
Model	R R Square		Adjusted R Square	Std. Error of the Estimate	
1	.063ª	.004	.001	.57174	

a. Predictors: (Constant), Performance Appraisal System

Table 15: ANOVA ^a								
Мо	Model Sum of Squares		df	Mean Squar	re F		Sig.	
1	Regressi on	.438	3	1 .43	38 1.3	1.341 .2		
	Residual	109.506	33	.32	27			
	Total	109.945	5 33	6				
a. Dependent Variable: Employee Performance and Productivity								
b. Predictors: (Constant), Performance Appraisal System								
			Table	16: Coefficients	a			
Мо	del	Unstan d Coeff	dardize Ticients	Standardized Coefficients	t	Sig	ç Cor Inter	95.0% nfidence rval for B
		В	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	3.911	.170		22.9 84	.00 0	3.576	6 4.246
	Performance Appraisal System	056	.048	063	- 1.15 8	.24 8	151	.039
a. C	a. Dependent Variable: Employee Performance and Productivity							

Source: Computed from primary data

Statistical Inference:

F(1, 335) = 1.341>.248 ^b	;P>0.05, Hence $H_0 3$ is accepted
T _{cv} =-1.158< .248	;P>0.05, Hence H ₀ 3 is accepted

Theoretical Inference:

The results of the regression analysis in **Table (a, b & c)** support the null **hypothesis H**₀ for **hypothess-3** stated above and therefore it is accepted. Alternate hypothesis is henceforth rejected. The standard beta coefficient is -.063 for Performance Appraisal System. F-statistic at degrees of freedom 1 and 335 is 1.341 which is greater than the table value of 0. .248^b at p= 0.05. Also t-statistic is -1.158, which is lesser than the table value of 0.248. Hence null hypothesis is accepted at a confidence interval of 95 percent. This implies that Employee Productivity is significant determinant of Performance Appraisal System. The positive relation between the dependent and independent variable is not significant at 95 percent confidence level as indicated by (P>0.05); .248^b.

Table- : Model Summary for Hypothesis-3							
	Table 17: Model Summary ^b						
Mode	I	R	R Squa	re	Adjusted R Square		Std. Error of the Estimate
1		.269ª	.(073	.070		.55171
a. Pre	edictors: (Cons	stant),					
b. De	pendent Varia	ble: Employ	yee Produc	tivity			
Table 18: ANOVA ^a							
Mode	I	Sum of Squares		f	Mean Square	F	Sig.
1	Regressi on	7.9	976	1	7.976	26.202	.000 ^b
	Residual	101.9	969 3	335	.304		
	Total	109.9	945 3	336			
a. Dependent Variable: Employee Performance and Productivity							
b. Predictors: (Constant), Training and Development Techniques							

Regression Analysis for Training and Development Techniques

Table 19: Coefficients ^a							
Model		Unstanc Coeffi	lardized cients	Standardize d Coefficients	Standardize T d Coefficients		
		В	Std. Error	Beta			
1	(Constant)	2.545	.231		11.025	.000	
	Training and Development Techniques	.309	.060	.269	5.119	.000	

a. Dependent Variable: Employee Performance and Productivity

Source: Computed from primary data

Statistical Inference:

 $F(1, 335) = 26.202 > .000^{b}$; P=0.05, Hence H₀ 3 is rejected

 T_{cv} =5.119> .000 ;P=0.05, Hence H₀3 is rejected

Theoretical Inference:

The results of the regression analysis in **Table (17,18 &19)** does not support the null **hypothesis H**₀. Alternate hypothesis is retained. The standard beta coefficient is 0.269 for Training and Development Techniques. F-statistic at degrees of freedom 1 and 335 is 26.202 which is greater than the table value of 0.000 at p= 0.05. Also t-statistic is 5.119. It is greater than the table value of 0.000. Hence null hypothesis is rejected at a confidence interval of 95 percent. This implies that Employee Productivity is significant determinant of Training and Development Techniques. The positive relation between the dependent and independent variable is significant at 95 percent confidence level as indicated by (P<0.05).

Regression Analysis for reward and recognition system

Table 20: Model Summary								
Model	R	R		R Square		isted R Square	Std. Error of the Estimate	
1		120 ^a		014		.012		.56871
a. Predic	ctors: (Constant)	Rewa	ird and Recogr	nition	System			
Table 21: ANOVAª								
Model		Sum of So			df Mean Square		F	Sig.
1	Regression		1.594		1	1.594	4.928	.027 ^b
	Residual		108.351		335	.323		
	Total 109.945				336			
a. Dependent Variable: Employee Performance and Productivity								
b. Predictors: (Constant), Reward and Recognition System								

Table 22: Coefficients ^a								
Model		Unstand Coeffi	dardized cients	Standard ized Coefficie nts	t	Sig.	95.0% Confidence Interval for B	
		В	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	3.259	.209		15.5 99	.000	2.848	3.669
	Reward and Recognition System	.123	.055	.120	2.22 0	.027	.014	.231
аD	a Dependent Variable: Employee Performance and Productivity							

Statistical Inference:

F(1, 335) = 41.915>.000^b;P=0.05, Hence H₀ 3 is rejected

T_{cv} =6.474> .000 ;P=0.05, Hence H₀3 is rejected

Theoretical Inference:

The regression analysis in **Table (a, b & c)** does not support the **null hypothesis H**₀ for **hypothess-3** stated above and therefore it is not accepted. Alternate hypothesis is retained. The standard beta coefficient is 0.322 for Career Progression System. F-statistic at degrees of freedom 1 and 335 is 41.915 which is greater than the table value of 0.000 at p= 0.05. Also the t-statistic calculated value is 6.474. It is also higher than the table value of 0.000. Hence null hypothesis is rejected at a confidence interval of 95 percent. This implies that Employee Productivity is significant determinant of Career Progression System. The positive relation between the dependent and the independent variable is significant at 95 percent confidence level as indicated by (P<0.05).

Findings and Suggestions

a) The ANOVA table shows that there is significant difference in terms of satisfaction level of the employees from public sector and private sector banks. Nearly 40% of the employees from the public sector banks are satisfied with the performance appraisal system, where as 17% seems to be neutral with their satisfaction level and the rest 43% are completely dissatisfied with the appraisal system in Public sector banks. However, Nearly 45% of the employees from the private sector banks are satisfied with their performance appraisal system, where as 39% seems to be neutral with their satisfaction level and the rest 16% are completely dissatisfied with the appraisal system. This clearly indicates that the appraisal system of Private sector bank is much superior to that of the public sector one.

- b) 41% of the employees of public sector banks agree with the fact that Performance Appraisal system helps in excelling employee performance, and 37% are neutral, nearly 21% disagree this fact. However, 60% of the employees of private sector banks Strongly agree and 26.7% are neutral, nearly 13% disagree with the fact that Performance Appraisal system in their bank helps in excelling employee performance. 60% of the total respondents say that Performance appraisal system acts as a tool in motivating, and in excelling employee engagement.
- c) Among the total respondents 32% say that the banks hardly communicate the aims and objectives of the scheme among which the majority of 34% are from Private sector banks. It is also noticed that 15.4% of public sector banks say that the bank is very poor in maintaining the documentation for performance appraisal system followed by private sector bank of 14%, in which majority of the respondents were from Karnataka Bank Ltd, who stated that though PAS is present and conducted proper records are not maintained and they are again not opened and seen. 12% of the total respondents said that during Performance appraisal period a lot of personality clasehes is been noted and is present in both the sectors in a similar ratios
- d) The analysis revealed that the satisfaction level of the employees of Public sector banks is more than compared to that of the private sector banks as most of the respondents say that the reward and recognition system is not integrated to the KRAs but that they are recognized only after a completion of service year. Nearly 37% of the respondents are evident to this fact that the reward system is not linked to their performances.
- e) A question was asked to all the respondents if they had transparency in the process of identification of staff for the reward system, to which 77% of the respondents said that they agreed with the statement and nearly 22.6% were neutral in agreeing with the statement and 11% still disagree with the transparency of selection of the staff for the nominations. There is a clear evidence that the employees are still not clear about the criteria's for selecting for the reward system.
- f) 65% of the total respondents say that Satisfaction with financial rewards have positive impact on employee motivation factor, among which 72% were from Public sector banks and 61% are from private sector banks rest of the respondents disagree with the statement. This is a clear evident that the respondents who are not satisfied fall in the age group of 40-50years and above 50 years. after a certain age group i.e after 40 years than financial rewards
 - Irrespective of banking sector the training and development needs are identified in a similar way. Generally the needs are identified through systematic Performance appraisal mechanism, Recommended by HRD, Based upon predetermined training needs, Recommended by superiors and Voluntary attendance by the employees' itself.
 - 61.4% of the total respondents mentioned all the above possibilities, where as the respondents for the other factors like Performance appraisal mechanism, Recommended by HRD, Based upon predetermined training needs, Recommended by superiors and Voluntary attendance by the employees were 8.3%, 3.6%, 7.1%, 16%, 3.6% respectively.

Suggestions:

g) Voluntary requirement for Learning and development programmes must be appreciated as this can be further integrated to to development of career programmes. This factor also leads to an effective learning session as the trainees show maximum interest and helps in developing individual skills that helps to excel employee performance as well as organizational productivity.

- h) Another important sector is training and re-training which costs less than retrenchment. The trainers has to be ready to train the employees whenever necessary and be able to bring behavioral change in the employee reorientation. Without confining to skill development, the modulus has to include an overall planning according to the organizational goals, motivational and behavioral training, team building activities etc. Inspite of making training a rite for statistical purpose, trainers have to adopt professionalism to activate interest in trainees and inspire them with modern techniques eluding lectures.
- i) Professional trainers have to be used more for training rather than taking departmental experts. Instead of olden or passive methods of training such as lecture, acquire effective methods like case study, business games, and simulations have to be used. These firms has to obtain extensive e-learning methods, which can save time and employees need not be away from jobs.
- j) The public sector banks have to actively participate in the learning programmes conducted by 'The Indian Banks Association' (IBA) like Distance Learning Programmes for bankers through professional bank academic institutes like Indian Institute of Bankers (IIB), National Institute of Bank Management (NIBM).
- k) All the learning and development objectives must be integrated to performance review plans, as this would help to afford continuous tracking to ensure learning and development outcomes are actually carried on to increase employee productivity. The manager or the incharge superior should maintain 'employee performance management process record'. This system helps to identify each employees 'performance gap', which helps in identifying the need or improvising skill or knowledge.
- I) On-the-job training is much powerful when new information and methods have to be learnt, and the reflection time would be much shorter compared to lecture classes.
- m) Performance Appraisal system must be completely automated in public sector banks. They should develop a software or tie up with external contractor like SAS (Software at Service), they not only develop a software but also maintain it regularly and charge a minimal maintenance charges of around 50rs per employee per year. Inorder to degitalize this system the criteria of computer knowledge should be 100%. Only because of this drawback till now the appraisal system is paper oriented and a bit more in public sector banks.
- n) Karnataka Bank Ltd and other public sector banks must document the performance appraisal chart in a systematic way as this helps the bank to track the employees' performance periodically.
- o) After performance appraisal process the weaknesses of employees must be communicated in a nonthreatening manner and the banks both public and private sector banks must take corrective measures to overcome their weakness through systematic Learning and development programmes.
- p) Most of the employees shared that the performance or the involvement of the trainees in the learning sessions are not integrated to PAS nor integrated while assessing the training needs nor for promotions nor for selecting candidates for reward system. If a proper software is designed linking the key responsibility areas to Performance appraisal system, for assessing the learning needs (options have to be given for recommendations from their superiors, voluntary requirement, skills necessary for

performing present and future job), for promotions, job rotations, as well as reward and recognition system.

- q) The appraiser's and appraises relationship should be continuous and just not one time annual assessment
- r) Since the jobs are quite routine day to day in the banking system whether in Private sector or public sector it is very important to motivate and keep them engaged for better performance and productivity. In this connection Reward and recognition system play a vital role in motivating and retaining the employees
- s) Recognition should be done frequently at least once in a month, at least the e-certificate or reward points equaling to money or some coupons, must be provided based on the achievements comparing to their KRA.
- t) It is also observed that in all the selected banks rewards and recognition is given mainly for the marketing team to promote more sales and bring new customers for the bank. Rewards are given for increasing the profits and sale of the business and not for performing their duties effectively and efficiently. This aspect is demoting all the other functional department employees, where in the banks should overcome from this back drop through implementing a motivational reward system.
- u) Some of the reward and recognition schemes should be designed for Behavioural Aspects and even Cleanliness Rewards must be implemented.
- v) Almost 68% and 72% respondents from Private and public sector banks respectively agree with the fact that the banks HRD practices foster creativity and innovation and others decisions are neutral.
- w) Almost 69.7% and 63% of the respondents from Private and public sector banks respectively mentioned that they were willing to voluntarily take up additional jobs that helps in excelling individuals as well as organizational productivity. However even in this aspect public sector banks scores are higher than that of private sectors.
- x) According to the regression analysis in the tables, it is very much clear that there is positive relationship between all the independents variables which are Training and Development Techniques, Performance Appraisal system and Reward and Recognition system, along with the independent variable employee engagement, as the beta coefficient are .274, .042 and .219 respectively and the p values are less than 0.05 significance level.
 - The organization should create a friendly and a conducive environment since maximum time is spent in the bank premises itself, for a better productivity they should not be stressed but infact they should enjoy their work.
 - Minimum Flexibility has to be given, especially for women employees as they need to balance their work at home as well as at office, as a desire to excel their career.
 - Employees often get distracted from their regular duties, so they have to be given space whereby they can make a perfect blend of both fun and work, inorder to optimize the performance of the employees.

Conclusions:

Human resource Department should work as a philosophy of culture and values of the banks. Practically there should be a shift from blue collar to white collar employees as this gives more dignity for the employees that increases employee engagement. If the employees are engaged the performance levels will be higher, they would sell harder, provide better service, productivity would be higher, they would produce enriched quality, lesser defects and most importantly the safely records too will be improved as the employee engagement is a barometer that determines the association of an employee with his organization. However an associated and engaged employee is always a productive employee.

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